

*Frank*



**ALLEGANY COUNTY**  
**DEPARTMENT OF PUBLIC WORKS**  
**UTILITIES DIVISION**

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BOARD OF COUNTY  
COMMISSIONERS  
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David A. Eberly  
*County Administrator*  
Paul F. Kahl, P.E.  
*Director of Public Works*  
Mark W. Yoder, P.E.  
*Utilities Division Chief*

**STAFF REPORT**

**TO:** David Eberly, County Administrator  
**FROM:** Mark Yoder, Utilities Division Chief  
**DATE:** May 5, 2016  
**RE:** FY '17 Water and Sewer Rates

For the Agenda of: May 5, 2016 Commissioners Meeting

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**1. BACKGROUND**

On May 4, 2016, the Sanitary Commission met with the County staff to discuss the Utilities Division's Budget and proposed water and sewer rates for FY '17. At this public meeting the Allegany County Sanitary Commission voted to pass a Resolution setting forth recommended water and sewer rates for FY '17.

The Utilities Division is requesting the rate structure proposed by the Allegany County Sanitary Commission be approved. This proposal includes a small rate increase and represents a bare minimum for operation and debt service. Rates would go into effect July 1, 2016.

Quarterly Sewer Service Rates are being increased \$2 per quarter because of increased the cost to operate and maintain the County's five wastewater treatment plants and higher costs for outside treatment.

Water Quarterly Water Service Fee are proposed to be increased between \$1-2/QT

The adopted changes in charges for Sewer and Water districts are as follows:

RECOMMENDED  
QUARTERLY SEWER SERVICE FEES

| <u>Sanitary<br/>District</u> | <u>FY '16</u> | <u>FY '17</u> | <u>Change/<br/>Quarter</u> |
|------------------------------|---------------|---------------|----------------------------|
| All Districts**              | \$86.00       | \$88.00       | \$2                        |

\*Commercial, Industrial and bulk rates vary and are not shown. (See Note 4)

\*\*Bowling Green 75% of water bill, Biers Lane \$92.00.

RECOMMENDED  
QUARTERLY SEWER SURCHARGES

| <u>Sanitary<br/>District</u> | <u>FY '16</u> | <u>FY '17</u> |
|------------------------------|---------------|---------------|
| 1. Cresaptown                | \$ 4.00       | \$ 4.00       |
| 2. Georges Creek             | \$28.00       | \$28.00       |
| 3. Bowling Green             | \$ 4.00       | \$ 4.00       |
| 4. Biers Lane                | \$ 7.25       | \$ 7.25       |
| 5. Jennings Run              | \$ 8.00       | \$ 8.00       |
| 6. Braddock Run              | \$ 3.00       | \$ 6.00       |

Districts not listed are zero.

Note: An increase of \$8 will be required in Jennings Run in FY 2018.

RECOMMENDED ANNUAL  
SEWER AD VALOREM TAX RATE (\$/\$100)-Unchanged

| <u>Sanitary<br/>District</u> | <u>FY '16</u> | <u>FY '17</u> |
|------------------------------|---------------|---------------|
| 1. Braddock Run              | \$0.007       | \$0.007       |
| 2. Cresaptown                | \$0.25        | \$0.25        |
| 3. Bedford Road              | \$0.10        | \$0.10        |
| 4. Jennings Run/Wills Creek  | \$0.052 (a)   | \$0.052 (a)   |
| 5. McCoole                   | \$0.031       | \$0.031       |
| 6. Flintstone                | \$0.15        | \$0.15        |
| 7. Oldtown                   | \$0.033       | \$0.033       |
| 8. Franklin/Brophytown       | \$0.019       | \$0.019       |
| 9. Georges Creek             | \$0.21        | \$0.21        |
| 10. Mexico Farms             | \$0.051       | \$0.051       |
| 11. Oldtown Road             | \$0.13        | \$0.13        |
| 12. Bowling Green            | \$0.25        | \$0.25        |



- 2.) Water usage rates may be adjusted throughout the year based on costs from our suppliers.
- 3.) Mark-up of 10% on the cost of purchased water, unchanged.
- 4.) Industrial rates increased 1%.
- 5.) Cresaptown water includes 6000 gallon in the quarterly minimum. This is being phased out, reduced by 1,000 gallons per quarter each year to match other County billing. This phse out reduced by will take another five years.

## 2. ISSUES

- a. Given the tough economic condition this budget reflects the bare minimum to meet our costs.
- b. ACDPW – Utilities Division operates water and wastewater systems owned by the Allegany County Sanitary District, Allegany County Water Commission and the Allegany County Commissioners.
- c. Currently, we operate:
  - (a) 18 Water Districts – 6,100 customers
  - (b) 14 Sewer Districts – 8,500 customers
  - (c) Allegany County Industrial Parks: Barton Business Park, North Branch and Upper Potomac Industrial Parks.
- d. The majority of the utilities budget is fixed costs, i.e. water purchase, debt, electricity, etc. We have some control over only 11% of the water budget and 27% of the sanitary budget.
- e. Our current billing structure does not provide for any substantial capital reinvestment and replacement of infrastructure. It does, however, include a modest increase of repair projects. Grant money is not available for these infrastructure replacement projects and costs must be paid by system users. Over time, our billing structure must adjust to provide for needed replacement of aging infrastructure. The proposed budget includes some minor replacements. Major construction projects are funded outside of the utilities budget, and debt service is incorporated into the budget when the project is complete.
- f. Rate changes need to be gradually implemented to more accurately match our debt and operating costs for each area. The Sanitary districts in particular will require continued gradual increases to better match true costs.
- g. The Utilities Division has experienced cost increases in many items. Our plant operation cost also increases because of our new more sophisticated plants and stricter regulations.

The following items experienced the largest increase:

Equipment Costs  
Water and Sewer Materials  
Treatment Costs  
Wholesale Wastewater Costs  
Indirect Costs

- h. This budget does not include sufficient capital infrastructure to keep pace with needed repairs.
- i. Ad valorem increase is required in 2018 for Braddock Run and Jennings Run.
- j. Keyser wastewater rates are expected to increase next year. The FY 16 budget did not adequately cover our outside wastewater treatment costs. Our wastewater plants have also seen an increase in the cost of operation.
- k. Water usage costs will be adjusted throughout the year if changed by our suppliers.
- l. Capital costs include HVAC improvements, water tank mixing equipment, pump station monitoring equipment, minor I&I repairs, building repairs, replacement vehicles and water meter replacement.

### 3. FINANCIAL IMPACT

The proposed rates balance the water and sewer budget for FY '17.

### 4. ALTERNATIVES

Increase rates further to provide for more infrastructure reinvestment.

### 5. OTHER CONSIDERATIONS

We see these as some key issues the County needs to deal with in the near future:

- a. It is evident that Federal and State mandates to eliminate sanitary and combined sewer overflows will require major substantial wastewater rate increases debt. Both Allegany County BNR/ENR upgrades are completed. However, MDE has indicated that they will target smaller plants within coming years for BNR/ENR. All discharge permits are becoming stricter.
- b. Federal drinking water and wastewater standards will continue to force most small community systems out of business and have them seeking absorption into larger operations like the County. We have been approached by small utilities to take-over their system or provide water or sewage service to their area.

- c. New drinking water rules regulating disinfection by-products and ENR continue to increase our laboratory costs and labor needed.
- d. The County must continue to seek to achieve more favorable water and sewer rates from the municipalities that provide the service. Water purchase costs account for over half of our total water system budgets. Rate increases from our water providers are inevitable. Our rates are adjusted whenever our suppliers change their rates.
- e. Debt and service payments to other municipalities account for over 2/3 of our water budget and over 1/2 of our sanitary budget.
- f. The County must continue to consolidate its many water and wastewater districts into common cost centers to equally spread the cost of service to County customers.
- g. A County owned water treatment plant in the 220S corridor is technically feasible, the County should continue to actively pursue permitting of the plant.
- h. Surcharges and ad valorem rates should continue to be reviewed annually to ensure they adequately cover the debt and capital projects. Future increases are needed in Jennings Run, Bedford Road, and Braddock Run Districts.
- i. County Utilities Division workers are, in general, paid less than other County employees doing similar jobs with similar skills. The County should continue with the adopted plan to make the Utilities Division workers' pay more equitable.
- j. The County should continue to monitor unmetered water. Unmetered water includes leaks, fire protection, meter error and water theft. This proposed budget does not increase the water mark-up from 10%. Our actual unmetered water is closer to 15 %. By industry standards, anything under 15 - 20% is considered reasonable but continued efforts may be able to reduce it. Future budgets are anticipated to require a 15% mark-up on purchased water.
- k. Joining Miss Utility has drastically increased the time required to mark and remark utilities. It affects our ability to do other work.
- l. In recent years Allegany County has expanded water service to Bowmans Addition, Mt. Savage, Rawlings and portions of Bedford Road. Upon expansion beyond our current service area, an additional utility worker should be considered. The budget currently has 1 unfilled position. This position is funded in the budget.
- m. The County should continue to educate our customers and the general public about the dire need for infrastructure reinvestment. Future large loans for infrastructure replacement are inevitable. These loans are paid back by the users of the systems.
- n. Cresaptown water customers receive 6,000 gallons as part of the minimum charge. This is unique in the county. This practice should be phased out over time and be part of any rate changes in the future. The proposed budget reduces the amount to 5,000 gallons.

- o. Future budgets must include significant increases in infrastructure capital projects funded by combinations of grants, loans and rate increases. This is particularly true in sanitary districts under consent order: Georges Creek, Bowling Green, Cresaptown, Braddock Run, Bedford Road and Jennings Run. This can best be accomplished through modest rate increases every year.

6. **CONFORMITY TO COUNTY POLICY**

The Sanitary Commission owns 12 of the 14 sewer districts in the County and 8 of 18 water districts, with the County Commissioners owning the remaining districts. Historically, the Sanitary Commission and County Commissioners have jointly adopted water and sewer rates. The attached table reflects the commission recommendation.

7. **RECOMMENDATION**

By motion duly carried of the County Commissioners of Allegany County, Maryland, the following action was authorized as part of the Agenda for the May 5, 2016 public meeting.

The Board of County Commissioners to post on the County website the proposed rate resolution Adopted by the Allegany County Sanitary Commission setting forth water and sewer rates for County customers in FY17. Formal action to be taken at a future meeting.

cc: Jason Bennett  
Jim Webber  
Pam Smith  
Sherry Bishop  
Paul Kahl

## MOTION

By motion duly carried of the County Commissioners of Allegany County, Maryland, the following action was authorized as part of the Agenda for the May 5, 2016 public meeting:

The Board of County Commissioners to post on the County website the proposed rate resolution adopted by the Allegany County Sanitary Commission setting forth water and sewer rates for County customers in FY17. Formal action to be taken at a future meeting.

VOTE:

\_\_\_\_\_

JCS

\_\_\_\_\_

CVB

\_\_\_\_\_

WRV

County Commissioners of Allegany County, Maryland

## CERTIFICATION

I, David A. Eberly, County Administrator of Allegany County, Maryland, hereby certify that the above action of the Commissioners is a part of the formal, written record of the public meeting held on May 5, 2016.

By \_\_\_\_\_  
David A. Eberly, County Administrator

SEAL

Dept: Public Works – Utilities Division  
Account No.: 5111  
Contact: Mark W. Yoder, P.E.

**RESOLUTION**

WHEREAS, the Allegany County Sanitary Commission determined that it is necessary to clarify some operative policies.

NOW THEREFORE BE IT RESOLVED, that the Allegany County Sanitary Commission, the governing body of the Allegany County Sanitary District, Inc., pursuant to the provisions of Section 658 of Article 43 of the Annotated Code of Maryland does hereby certify to the County Commissioners of Allegany County that it is necessary to adopt the following rates in order to have a balanced budget for the Fiscal Year 2016:

Allegany County Sanitary District, Inc.

Revised Rates become effective July 1, 2016 based on the attached table.

Tap Fees: Water - \$750.00 (unchanged)  
Sewer - \$750.00 (unchanged)

Shut-Off Fee: \$100.00 (unchanged)  
Tamper Fee: \$250.00 (unchanged)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Warren Foote, Chairman

\_\_\_\_\_  
Date

\_\_\_\_\_  
Jason M. Bennett, Secretary-Treasurer

# FY2017 Water and Sewer Rates

| District                    | Service Area                             | Water   |                  |                 |                |                           | Sewer    |                 |                                   |                                 |         |        |       |
|-----------------------------|--|---------|------------------|-----------------|----------------|---------------------------|----------|-----------------|-----------------------------------|---------------------------------|---------|--------|-------|
|                             |  | Minimum | Outside Surchage | County Surchage | Total Surchage | Usage Rate (per 1000 gal) | Minimum  | County Surchage | Front Footage per foot (Annually) | Ad Valorem per \$100 (Annually) |         |        |       |
| Georges Creek (Co. #1)      | Georges Creek                            |         |                  |                 |                |                           |          |                 |                                   |                                 |         |        |       |
|                             | Carlos/Shaft/Klondike                    | \$78.00 | \$23.25          | \$3.50          | \$26.75        | \$2.95                    | \$88.00  | \$28.00         | \$0.00                            | \$0.00                          | \$28.00 | \$0.00 | 0.210 |
|                             | Jennings Run/Wills Creek (Co. # 2 & #12) | \$77.00 |                  |                 |                |                           | \$88.00  | \$28.00         | \$0.00                            | \$0.00                          | \$28.00 | \$0.00 | 0.210 |
|                             | Cash Valley Road                         | \$77.00 |                  |                 |                | \$5.02                    | \$88.00  | \$8.00          | \$0.13                            | \$0.13                          | \$8.00  | \$0.13 | 0.052 |
|                             | Corriganville/Ellerslie                  | \$77.00 |                  |                 |                | \$5.02                    | \$88.00  | \$8.00          | \$0.13                            | \$0.13                          | \$8.00  | \$0.13 | 0.186 |
|                             | Franklin/Brophytown Co. #3)              | \$78.00 |                  |                 |                | \$8.45                    | \$88.00  | \$8.00          | \$0.00                            | \$0.00                          | \$8.00  | \$0.00 | 0.052 |
|                             | Grinder Pump-Town                        |         |                  |                 |                |                           | \$122.50 |                 |                                   |                                 |         |        | 0.019 |
| Oldtown (Co. #4)            | Oldtown                                  |         |                  |                 |                |                           |          |                 |                                   |                                 |         |        |       |
|                             | Flintstone (Co. #5)                      |         |                  |                 |                |                           | \$88.00  |                 | \$0.00                            | \$0.00                          |         |        | 0.033 |
| Braddock Run* (Co. #6 & #7) | Eckhart                                  | \$77.00 | \$4.95           | \$3.50          | \$18.45        | \$2.95                    | \$88.00  | \$6.00          |                                   |                                 | \$6.00  |        | 0.150 |
|                             |  |         | \$10.00          |                 |                |                           |          |                 |                                   |                                 |         |        | 0.007 |
|                             | Grahamtown/Wrights Crossing              | \$78.00 | \$23.25          | \$3.50          | \$26.75        | \$2.95                    | \$88.00  | \$6.00          |                                   |                                 | \$6.00  |        | 0.007 |
|                             | Consol                                   | \$78.00 | \$23.25          | \$3.50          | \$26.75        | \$2.95                    | \$88.00  | \$6.00          |                                   |                                 | \$6.00  |        | 0.007 |
|                             | Clarysville                              | \$89.00 | \$4.95           | \$3.50          | \$18.45        | \$2.95                    | \$88.00  | \$6.00          |                                   |                                 | \$6.00  |        | 0.007 |
|                             |  |         |                  | \$10.00         |                |                           |          |                 |                                   |                                 |         |        |       |
| Bowling Green (Co. #8)      | Bowling Green                            | \$77.00 |                  |                 |                | \$5.02                    |          |                 |                                   | 75% of water charge             | \$4.00  | \$0.00 | 0.250 |
| Cresaptown (Co. #9)         | Cresaptown (In District)                 | \$70.00 |                  |                 |                | \$5.02                    |          |                 |                                   | per 1,000 gal. over the 5,000   | \$4.00  |        | 0.250 |
|                             | (Out of District)                        | \$88.00 |                  |                 |                | \$5.02                    |          |                 |                                   | per 1,000 gal. over the 5,000   |         |        |       |
| Bedford Road (Co. #10)      | Bedford Road                             | \$91.00 |                  |                 |                | \$6.12                    | \$88.00  |                 |                                   |                                 | \$88.00 | \$0.00 | 0.100 |
|                             | Valley Road/Bowmans Ad.                  | \$91.00 |                  |                 |                | \$5.02                    | \$88.00  |                 |                                   |                                 | \$88.00 |        | 0.100 |
|                             | McCoole                                  | \$91.00 |                  |                 |                | \$3.51                    | \$88.00  |                 |                                   |                                 | \$88.00 |        | 0.031 |
|                             | Mexico Farms (Co. #14)                   | \$78.00 |                  |                 |                | \$5.02                    | \$88.00  |                 |                                   |                                 | \$88.00 |        | 0.051 |
|                             | Route 36 (Co. #15)                       | \$78.00 | \$23.25          | \$3.50          | \$26.75        | \$2.95                    | \$88.00  |                 |                                   |                                 | \$88.00 |        |       |
|                             | Hoffman                                  | \$78.00 | \$23.25          | \$3.50          | \$26.75        | \$2.95                    | \$88.00  |                 |                                   |                                 | \$88.00 |        |       |
| Oldtown Road (Co. #16)      | Oldtown Road                             | \$85.00 |                  |                 |                | \$5.02                    | \$88.00  |                 |                                   |                                 | \$88.00 |        | 0.130 |
|                             | Biers Lane (Co. #17)                     |         |                  |                 |                |                           | \$92.00  |                 |                                   |                                 | \$92.00 | \$7.25 |       |
| Borden/Zihlman (Co. #18)    | Borden/Zihlman/Moran.                    | \$78.00 | \$23.25          | \$3.50          | \$26.75        | \$2.95                    | \$88.00  |                 |                                   |                                 | \$88.00 |        |       |
|                             | Mt Savage                                | \$78.00 | \$23.25          | \$3.50          | \$26.75        | \$2.95                    | \$88.00  |                 |                                   |                                 | \$88.00 |        |       |

# FY2017 Water and Sewer Rates

| District | Service Area | Water   |                  |                 |                | Sewer                     |         |                 |                                   |                                 |
|----------|--------------|---------|------------------|-----------------|----------------|---------------------------|---------|-----------------|-----------------------------------|---------------------------------|
|          |              | Minimum | Outside Surchage | County Surchage | Total Surchage | Usage Rate (per 1000 gal) | Minimum | County Surchage | Front Footage per foot (Annually) | Ad Valorem per \$100 (Annually) |
| Rawlings |              | \$91.00 |                  |                 |                | \$5.02                    |         |                 |                                   |                                 |

\*County surcharges include \$3.50 PSC fee and \$10.00 Eckhart surcharge.

\$15.00 per quarter Bay Restoration Fee assessed to all sewer customers required by State of Maryland

Water Tap Fee = \$750.00  
 Sewer Tap Fee = \$750.00

Shut-off Fee = \$100.00  
 Tamper Fee = \$250.00

Water minimum for unconnected customers will be reduced by \$5.00 per quarter from existing rates and frozen based on 2011 rates.