



ALLEGANY COUNTY
DEPARTMENT OF PUBLIC WORKS
UTILITIES DIVISION

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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 4, 2017

Re: FY-18 Water and Sewer Rates

1. BACKGROUND

On April 25, 2017 the Sanitary Commission met with the County staff to discuss the Utilities Division's budget and proposed water and sewer rates for FY'18. At this public meeting the Allegany County Sanitary Commission voted to pass a Resolution setting forth recommended water and sewer rates for FY'18.

The Utilities Division is requesting the attached rate structure. This proposal includes a rate increase and represents a bare minimum for operation and debt service. Rates would go into effect July 1, 2017.

Proposed 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. In addition our aging system requires more repairs to address current I&I.

Water Quarterly Water Service Fee are proposed to be increased between \$1-3/QT

RECOMMENDED
QUARTERLY SEWER SERVICE FEES

Sanitary District	<u>FY-17</u>	<u>FY-18</u>	<u>Change/ Quarter</u>
All Districts **	\$88.00	\$90.00	\$2.00

*Commercial, Industrial and bulk rates vary and are not shown. (See Note 3)

**Bowling Green 75% of water bill, Biers Lane \$94.00

RECOMMENDED
QUARTERLY SEWER SURCHARGES

Sanitary District	<u>FY-17</u>	<u>FY-18</u>
Cresaptown	\$4.00	\$4.00
Georges Creek	\$28.00	\$28.00
Bowling Green	\$4.00	\$4.00
Biers Lane	\$7.25	\$7.25
Jennings Run	\$8.00	\$16.00
Braddock Run	6.00	6.00

Districts not listed are zero.

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

Sanitary District	<u>FY-17</u>	<u>FY-18</u>
Oldtown Road	\$0.13	\$0.13
McCoole	\$0.031	\$0.031
Mexico Farms	\$0.051	\$0.051
Franklin/Brophytown	\$0.019	\$0.019
Bowling Green	\$0.25	\$0.25
Cresaptown	\$0.25	\$0.25
Bedford Road	\$0.10	\$0.10
Braddock Run	\$0.007	\$0.042
Flintstone	\$0.15	\$0.15
Georges Creek	\$0.21	\$0.21
Oldtown	\$0.033	\$0.033
Jennings Run/Wills Creek	\$0.052	\$0.052
Cash Valley	\$0.186	\$0.186

Districts not listed are zero.

RECOMMENDED ANNUAL
SEWER FRONTAGE CHARGES

Sanitary District	<u>FY-17</u>	<u>FY-18</u>
Jennings Run/Will Creek	\$0.13	\$0.13

Districts not listed are zero.

RECOMMENDED
QUARTERLY WATER SERVICE FEES

Water Service Area	<u>FY-17</u>	<u>FY-18</u>	<u>Surcharges</u>	<u>Change/ Quarter</u>
Oldtown Road	\$85.00	\$86.00	\$0.00	\$1.00
Hoffman	\$78.00	\$79.00	\$26.75 (a,d)	\$1.00
McCoole	\$91.00	\$92.00	\$0.00	\$1.00
Corriganville/Ellerslie/Cash Valley Road	\$75.00	\$77.00	\$0.00	\$2.00
Eckhart	\$77.00	\$79.00	\$18.45 (b,c,d)	\$2.00
Route 36 Vale Summit	\$78.00	\$79.00	\$26.75 (a,d)	\$1.00
Borden/Zihlman/Morantown/Mt. Savage	\$78.00	\$79.00	\$26.75 (a,d)	\$1.00
Carlos/Shaft/Klondike	\$78.00	\$79.00	\$26.75 (a,d)	\$1.00
Grahamtown/Wrights Crossing	\$78.00	\$79.00	\$26.75 (a,d)	\$1.00
Consol	\$78.00	\$79.00	\$26.75 (a,d)	\$1.00
Mexico Farms	\$78.00	\$79.00	\$0.00	\$1.00
Franklin/Brophytown	\$78.00	\$79.00	\$0.00	\$1.00
Bowling Green	\$77.00	\$80.00	\$0.00	\$3.00
Bowmans Addition	\$91.00	\$92.00	\$0.00	\$1.00
Cresaptown (In District)	\$70.00	\$70.00	\$0.00	\$0.00
Cresaptown (Out of District)	\$88.00	\$88.00	\$0.00	\$0.00
Bedford Road	\$91.00	\$92.00	\$0.00	\$1.00
Rawlings	\$91.00	\$92.00	\$0.00	\$1.00
Clarysville	\$89.00	\$91.00	\$18.45 (b,c,d)	\$2.00

*Commercial, Industrial and bulk rates vary and are not shown. NOTES:

QUARTERLY WATER SURCHARGES-Unchanged

- (a) \$23.25/quarter Frostburg Surcharge
- (b) \$ 4.95/quarter Frostburg Surcharge
- (c) \$10.00/quarter County Debt Service
- (d) \$ 3.50/quarter PSC County Surcharge

Notes:

- 1.) Water usage rates may be adjusted throughout the year based on costs from our suppliers.
- 2.) Mark-up of 15% on the cost of purchased water, increased 5%.
- 3.) Industrial rates per 1,000 gallons on water and sewer increased 5%.
- 4.) Cresaptown water in FY'17 included 5,000 gallons in the quarterly minimum. This is being phased out and reduced by 1,000 gallons per quarter each year to match other County billing. FY'18 includes 4,000 gallons. This phase would continue for another four 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 approximately 12% of the water budget and 30% 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
- Health Care

- 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 a surcharge increase is required for Jennings Run.
- j. Keyser wastewater rates are expected to increase next year. The FY'17 budget did not adequately cover our outside wastewater treatment costs increases. The FY'18 budget does not cover all cost increases. 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 mowing equipment, pump station repairs, 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'18.

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 more strict.

- 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 and 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, if we continue with the required I&I improvements.
- i. I&I from the private side of sewer continues to be a major problem. We have conducted tests identifying downspouts, footer drains, and basement drains illegally connected to the sanitary sewer. Some customers make the required repairs, others do not. Some repairs are relatively inexpensive such as downspouts. Others, such as footer drains, are not. In general, our funding does not allow for private repairs with the money. The County will need to develop strong enforcement regulations to correct the problem.
- j. The County should continue to monitor unmetered water. Unmetered water includes leaks, fire protection, meter error and water theft. This proposed budget increases the water mark-up from 10% to 15%. By industry standards, anything

under 15 - 20% is considered reasonable but continued efforts may be able to reduce it. This will be monitored in future budgets.

- 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. 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 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 5,000 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 4,000 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.

CONFORMITY TO COUNTY POLICY

The Sanitary Commission owns 12 of the 14 sewer districts in the County and 8 of the 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.

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 4, 2017 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 FY'18. Formal action to be taken at a future meeting.

Cc: Jason Bennett
Jim Webber
Pam Diaz
Sherry Bishop
Paul Kahl
Amy Williams

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 June 1, 2017 public meeting:

The President of the Board of County Commissioner to sign and approve the proposed rate resolution adopted by the Allegany County Sanitary Commission setting forth water and sewer rates for County customers in FY18.

VOTE:

yes
JCS

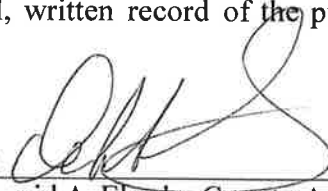
yes
CVB

NP
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 4, 2017.

By: 
David A. Eberly, County Administrator

SEAL

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 2018:

Allegany County Sanitary District, Inc.

Revised Rates become effective July 1, 2017 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)

4-25-17

Date

Warren E. Foote

Warren Foote, Chairman

4/25/17

Date

J. M. Bennett

Jason M. Bennett, Secretary-Treasurer

FY2018 Water and Sewer Rates

District	Service Area	Water					Sewer			
		Minimum	Outside Surcharge	County Surcharge	Total Surcharge	Usage Rate (per 1000 gal)	Minimum	County Surcharge	Front Footage per foot (Annually)	Ad Valorem per \$100 (Annually)
Georges Creek (Co. #1)	Georges Creek						\$90.00	\$28.00	\$0.00	0.210
	Carlos/Shaft/Klondike	\$79.00	\$23.25	\$3.50	\$26.75	\$3.08	\$90.00	\$28.00	\$0.00	0.210
	Jennings Run/Wills Creek	\$77.00					\$90.00	\$16.00	\$0.13	0.052
Jennings Run/Wills Creek (Co. # 2 & #12)	Cash Valley Road	\$77.00				\$5.25	\$90.00	\$16.00		0.186
	Corriganville/Eillerslie	\$77.00				\$5.25	\$90.00	\$16.00	\$0.13	0.052
Franklin/Brophytown Co. #3)	Franklin/Brophytown	\$79.00				\$8.83	\$90.00		\$0.00	0.019
	Grinder Pump-Town						\$124.50			
Oldtown (Co. #4)	Oldtown						\$90.00		\$0.00	0.033
	Flintstone						\$90.00			0.150
Braddock Run* (Co. #6 & #7)	Eckhart	\$79.00	\$4.95	\$3.50	\$18.45	\$3.08	\$90.00	\$6.00		.042
	Grahamtown/Wrights Crossing	\$79.00	\$23.25	\$3.50	\$26.75	\$3.08	\$90.00	\$6.00		0.042
Bowling Green (Co. #8)	Consol	\$79.00	\$23.25	\$3.50	\$26.75	\$3.08	\$90.00	\$6.00		0.042
	Clarysville	\$91.00	\$4.95	\$3.50	\$18.45	\$3.08	\$90.00	\$6.00		0.042
Cresaptown (Co. #9)	Bowling Green	\$80.00				\$5.25	75% of water charge	\$4.00	\$0.00	0.250
	(Out of District)	\$70.00 first 4,000 gallons				\$5.25 per 1,000 gal. over the 4,000	\$90.00	\$4.00		0.250
Bedford Road (Co. #10)	Bedford Road	\$92.00				\$6.40	\$90.00		\$0.00	0.100
	Valley Road/Bowmans Ad.	\$92.00				\$5.25	\$90.00			0.100
Mexico Farms (Co. #14)	McCoole	\$92.00				\$3.66	\$90.00			0.031
	Mexico Farms	\$79.00				\$5.25	\$90.00			0.051
Oldtown Road (Co. #16)	Route 36/Vale Summit	\$79.00	\$23.25	\$3.50	\$26.75	\$3.08				
	Hoffman	\$79.00	\$23.25	\$3.50	\$26.75	\$3.08				
Borden/Zihlman (Co. #18)	Oldtown Road	\$86.00				\$5.25	\$90.00			0.130
	Biers Lane						\$94.00	\$7.25		
Mt Savage	Borden/Zihlman/Moran.	\$79.00	\$23.25	\$3.50	\$26.75	\$3.08				
	Mt Savage	\$79.00	\$23.25	\$3.50	\$26.75	\$3.08				

FY2018 Water and Sewer Rates

District	Service Area	Water					Sewer		
		Minimum	Outside Surcharge	County Surcharge	Total Surcharge	Usage Rate (per 1000 gal)	Minimum	County Surcharge	Front Footage per foot (Annually)
Rawlings		\$92.00				\$5.25			

*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.