

STAFF REPORT

TO: David Eberly, Acting County Administrator
FROM: Mark W. Yoder, Utilities Division Chief
DATE: April 30, 2009
RE: FY '10 Water and Sewer Rates

For the Agenda of: April 30, 2009 Public Meeting

1. BACKGROUND

On April 29, 2009, the Sanitary Commission met with the County staff to discuss the Utilities Division's Budget and proposed water and sewer rates for FY '10. At this public meeting the Allegany County Sanitary Commission voted to pass a Resolution setting forth recommended water and sewer rates for FY '10.

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

**RECOMMENDED
QUARTERLY SEWER SERVICE FEES**

<u>Sanitary District</u>	<u>FY '09</u>	<u>FY '10</u>	<u>Change/ Quarter</u>
1. Braddock Run	\$72.00	\$75.00	\$3.00
2. Cresaptown	\$72.00	\$75.00	\$3.00
3. Bedford Road	\$72.00	\$75.00	\$3.00
4. Jennings Run/Wills Creek	\$72.00	\$75.00	\$3.00
5. McCoole	\$72.00	\$75.00	\$3.00
6. Flintstone	\$72.00	\$75.00	\$3.00
7. Oldtown	\$72.00	\$75.00	\$3.00
8. Franklin/Brophytown	\$72.00	\$75.00	\$3.00
9. Georges Creek	\$72.00	\$75.00	\$3.00
10. Mexico Farms	\$72.00	\$75.00	\$3.00
11. Oldtown Road	\$72.00	\$75.00	\$3.00
12. Biers Lane	\$78.00	\$81.00	\$3.00
13. Bowling Green	75% of water bill	75% of water bill	

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

RECOMMENDED
QUARTERLY SEWER SURCHARGES
(Unchanged)

Sanitary <u>District</u>	<u>FY '09</u>	<u>FY '10</u>
1. Cresaptown	\$7.25	\$7.25
2. Jennings Run/Wills Creek	\$0.0	\$0.0
3. Bowling Green	\$7.25	\$7.25
4. Biers Lane	\$7.25	\$7.25

Districts not listed are zero.

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

Sanitary <u>District</u>	<u>FY '09</u>	<u>FY '10</u>
1. Braddock Run	\$0.004	\$0.007
2. Cresaptown	\$0.30	\$0.290
3. Bedford Road	\$0.10	\$0.10
4. Jennings Run/Wills Creek	\$0.052 (a)	\$0.052 (a)
5. McCoole	\$0.14	\$0.07
6. Flintstone	\$0.20	\$0.17
7. Oldtown	\$0.096	\$0.080
8. Franklin/Brophytown	\$0.092	\$0.019
9. Georges Creek	\$0.16	\$0.16
10. Mexico Farms	\$0.184	\$0.06
11. Oldtown Road	\$0.24	\$0.077
12. Bowling Green	\$0.253	\$0.290
(a) Cash Valley	\$0.22	\$0.186

Districts not listed are zero.

RECOMMENDED ANNUAL
SEWER FRONT FOOTAGE CHARGES
(Unchanged)

<u>Sanitary District</u>	<u>FY '09</u>	<u>FY '10</u>
1. Bedford Road	\$0 (a)	\$0 (a)
2. Jennings Run/Wills Creek	\$0.15 (b)	\$0.15 (b)
3. McCoole	\$0.35	\$0.35
4. Flintstone	\$0.42	\$0.42
5. Oldtown	\$0.45	\$0.45
6. Franklin/Brophytown	\$0	\$0
7. Georges Creek	\$0.34	\$0.34
(a) Valley Road	\$0	\$0
(b) Cash Valley Road	\$0	\$0

Districts not listed are zero.

RECOMMENDED
QUARTERLY WATER SERVICE FEES

<u>Water Service Area</u>	<u>FY '09</u>	<u>FY '10</u>	<u>Surcharges</u>	<u>Change/ Quarter</u>
1. Eckhart	\$66.00	\$69.00	\$18.45 (b,c,d)	\$ +3.00
2. Corriganville/Ellerslie/Cash Valley Rd.	\$66.00	\$69.00	-0-	\$ +3.00
3. McCoole	\$83.00	\$86.00	-0-	\$ +3.00
4. Carlos/Shaft /Klondike	\$68.00	\$70.00	\$26.75 (a,d)	\$ +2.00
5. Mexico Farms	\$66.00	\$69.00	-0-	\$ +3.00
6. Bowling Green	\$60.00	\$64.00	-0-	\$ +4.00
7. Hoffman	\$68.00	\$70.00	\$26.75 (a,d)	\$ +2.00
8. Route 36/Vale Summit	\$66.00	\$70.00	\$26.75 (a,d)	\$ +4.00
9. Oldtown Road	\$77.00	\$79.00	-0-	\$ +2.00
10. Borden/Zihlman/Morantown	\$68.00	\$70.00	\$26.75 (a,d)	\$ +2.00
11. Clarysville	\$66.00	\$69.00	-0-	\$ +3.00
12. Grahamtown/Wrights Crossing	\$68.00	\$70.00	\$26.75 (a,d)	\$ +2.00
13. Consol	\$68.00	\$70.00	\$26.75 (a,d)	\$ +2.00

Commercial, Industrial and bulk rates vary and are not shown.

NOTES:

1.) QUARTERLY WATER SURCHARGES

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

This surcharge should be converted to construction debt service payment after PSC debt is paid.

- 2.) Water usage rates may be adjusted throughout the year based on costs from our suppliers.
- 3.) Mark-up of 10% on purchased water, 2% higher than 2009.
- 4.) Increase industrial park water and bulk sewer user rates 4%
- 5.) The proposed rates will result in a net 2% increase for most customers.

2. ISSUES

- a. Given the tough economic condition this budget reflects the bare minimum increase in rates while meeting 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, they operate:
 - (a) 14 Water Districts – 4,000 customers
 - (b) 13 Sewer Districts – 7,900 customers (includes Frostburg)
 - (c) Allegany County Industrial Park, Barton Business Park, North Branch, Upper Potomac
- d. Historically, the Water and Wastewater systems have operated at a deficit, primarily due to holding billing rates artificially low relative to actual costs to offset:
 - (a) high debt repayments on new systems
 - (b) high cost to purchase water from municipalities
 - (c) relative inability of some of the smaller systems to afford any operating costs
- e. The majority of the utilities budget are 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.
- f. Our current billing structure does not provide for any substantial capital reinvestment and replacement of infrastructure. Grant money is not available for these infrastructure replacement projects and costs must be paid by system users. Over time our billing structure must continue adjust to provide for needed replacement of aging infrastructure. The proposed budget includes only minor line replacements.

- g. Rate changes are gradually being implemented to more accurately match our debt and operating costs for each area.
- h. 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:

Chemicals
Water and Sewer Materials
Indirect Costs
Lab Supplies
Post Retirement Benefits

- i. Similar or higher rate increases can be expected in the foreseeable future to offset ever increasing costs and the need to reinvest in our infrastructure.
- j. Ad Valorem rates have been reduced in most areas to reflect current debt service payment.

3. FINANCIAL IMPACT

- a. The proposed rates will balance the water and sewer budget for FY '10. The proposed increases result in approximately 2% of the combined \$10M annual Utilities Division budget.

4. ALTERNATIVES

In 2001, Black & Veatch Consulting Engineers completed a rate study for the County water and wastewater districts. That study, which was presented to the County Commissioners and Sanitary Commission in February 2001, recommended substantially higher increases in rates to address the current and future financial difficulties of the utility systems.

While we do not disagree with the findings of the Black & Veatch study, in an effort to maintain affordability for the customers, the rates adopted since then do not reflect the B & V recommendations.

5. OTHER CONSIDERATIONS

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

- a. It is becoming more evident that Federal and State mandates to eliminate sanitary and combined sewer overflows and add advanced wastewater treatment (i.e. BNR/ENR) will require major substantial wastewater rate increases in the near future for increased debt.
- 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. This addition of high cost, low volume systems will further stress the water system budgets. 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 have increased our laboratory costs dramatically.
- d. The County must continue to seek to achieve more favorable water rates from the municipalities from whom we purchase water. Water purchase costs account for over half of our total water system budgets. Rate increases from our water providers are inevitable.
- 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. These proposed rates and the 2010 budget move further toward those goals.
- 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.
- i. County Utilities Division workers are, in general, paid less than other County employees doing similar jobs with similar skills. This has led to the loss of well trained, skilled utilities workers to other departments and companies. The County should continue with the adopted plan to make the Utilities Division workers pay more equitable. However, this budget includes no increases but the program should continue as the economy improves.
- j. The County should continue to monitor unmetered water. Unmetered water includes leaks, fire protection, meter error and water theft. This proposed budget includes an increase in water mark-up from 8% to 10%. Our actual unmetered water is closer to 11 – 12 %. By industry standards, anything under 15% is considered reasonable but continued efforts may be able to reduce it. Future budgets are anticipated to require a 12% mark-up on purchased water.

- k. In recent years Allegany County will have expanded water service to McCoole, Grahamtown, Klondike, Carlos/Shaft, Borden/Zihlman, Bowman's Addition and Clarysville without expanding operation and maintenance staff. Upon completion of Bowman's Addition Phase 2, an additional utility worker should be considered.
- l. 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.

6. CONFORMITY TO COUNTY POLICY

The Sanitary Commission owns 12 of the 13 sewer districts in the County and 8 of 14 water districts, with the County Commissioners owning the remaining districts. Historically, the Sanitary Commission and County Commissioners have jointly adopted water and sewer rates.

7. RECOMMENDATION

Introduce the proposed rate resolution adopted by the Allegany County Sanitary Commission setting forth water and sewer rates for County customers in FY '10 and post it on the County website prior to taking action at the May 14, 2009 public meeting.

cc: Jerry L. Frantz
Steve Young
Paul Kahl
Jim Webber

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 April 30, 2009 public meeting:

Introduced the proposed rate resolution adopted by the Allegany County Sanitary Commission setting forth water and sewer rates for County customers in FY '10 and post it on the County website prior to taking action at the May 14, 2009 public meeting

VOTE:

JJS

RMH

DRL

County Commissioners of Allegany County, Maryland

CERTIFICATION

I, Carol A. Gaffney, Clerk to the County Commissioners 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 April 30, 2009.

By _____
Carol A. Gaffney, Clerk

SEAL

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

PROPOSED - FY2010 Water and Sewer Rates

District	Service Area	Water				Sewer			
		Minimum	Outside Surcharge	County 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					\$75.00		\$0.34	\$0.16
	Carlos/Shaft/Klondike	\$70.00	\$23.25	\$3.50	\$2.99	\$75.00		\$0.34	\$0.16
Jennings Run/Wills Creek (Co. # 2 & #12)	Jennings Run/Wills Creek					\$75.00		\$0.15	\$0.052
	Cash Valley Road	\$69.00			\$5.02	\$75.00			\$0.186
	Corriganville/Ellerslie	\$69.00			\$5.02	\$75.00		\$0.15	\$0.052
Franklin/Brophytown (Co. #3)	Franklin/Brophytown					\$75.00			\$0.019
Oldtown (Co. #4)	Oldtown					\$75.00		\$0.45	\$0.080
Flintstone (Co. #5)	Flintstone					\$75.00		\$0.42	\$0.17
Braddock Run (Co. #6 & #7)	Centennial Hill								\$0.007
	Eckhart	\$69.00	\$4.95	\$3.50	\$2.99	\$75.00			\$0.007
	Grahamtown/Wrights Crossing	\$70.00	\$23.25	\$3.50	\$2.99	\$75.00			\$0.007
	Consol	\$70.00	\$23.25	\$3.50	\$2.99	\$75.00			\$0.007
	Clarysville	\$69.00		\$3.50		\$75.00			\$0.007
Bowling Green (Co. #8)	Bowling Green	\$64.00			\$5.02	75% of water charge	\$7.25		\$0.29
Cresaptown (Co. #9)	Cresaptown					\$75.00	\$7.25		\$0.29

PROPOSED - FY2010 Water and Sewer Rates

District	Service Area	Water				Sewer			
		Minimum	Outside Surcharge	County Surcharge	Usage Rate (per 1000 gal)	Minimum	County Surcharge	Front Footage per foot (Annually)	Ad Valorem per \$100 (Annually)
Bedford Road (Co. #10)	Bedford Road					\$75.00			\$0.10
	Valley Road/Bowmans Addition					\$75.00			\$0.10
McCoole (Co. #11)	McCoole	\$86.00			\$2.99	\$75.00		\$0.35	\$0.07
Mexico Farms (Co. #14)	Mexico Farms	\$69.00			\$6.12	\$75.00			\$0.06
Route 36 (Co. #15)									
	Route 36/Vale Summit	\$70.00	\$23.25	\$3.50	\$2.99	\$75.00		\$0.34	\$0.16
	Hoffman	\$70.00	\$23.25	\$3.50	\$2.99				
Oldtown Road (Co. #16)	Oldtown Road	\$79.00			\$6.12	\$75.00			\$0.077
Biers Lane (Co. #17)	Biers Lane					\$81.00	\$7.25		
Borden/Zihlman (Co. #18)	Borden/Zihlman/Morantown	\$70.00	\$23.25	\$3.50	\$2.99				

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

\$7.50 per quarter Bay Restoration Fee assessed to all water & sewer customers

Water Tap Fee = \$750.00

Sewer Tap Fee = \$750.00