

CHARLOTTE-MECKLENBURG UTILITIES
ADVISORY COMMITTEE
MINUTES OF MEETING
November 15, 2012

The Charlotte-Mecklenburg Utilities Advisory Committee met Thursday, November 15, 2012, at 3:30 pm at 4222 Westmont Drive, Charlotte, North Carolina.

Members Present: Ron Charbonneau, Jim Duke, Frank McMahan, Eric Sieckmann, Jim Merrifield

Members Absent: Ralph Messera

Staff Present:	Barry Gullet	Director
	Kim Eagle	Deputy Director
	Barry Shearin	Chief Engineer
	Doug Groce	IT Manager
	Regina Cousar	Continuous Improvement Officer
	Vic Simpson	Internal Communications Manager
	Karen Whichard	External Communications Manager
	Cam Coley	Public Information Specialist
	Al Newman	IT Enterprise Architect

Safety Minute

First aid safety tips for those in hypothermia.

Minutes

A motion made by Frank McMahan, and seconded by Ron Charbonneau, to approve the October 2012 minutes was agreed upon unanimously.

Web Portal

- The CMUD customer web portal went live to the public on October 30, 2012.
- Customers can view, pay and manage their bill(s) online. Customers are encouraged to sign up and access the web portal.
- Currently, there are about 1,000 customers signed up with the web portal.
- The web portal link can be found on the CMUD website (www.cmutilities.com).
- To use the web portal, you must register as a user. During the registration process, you can link your account(s); currently, you can link up to 30 accounts per username.
- Basic information consisting of your name, address and account number will show in the top right corner of screen.
- The Pay Bill tab gives information regarding payment information – bank draft does not have a fee; all other methods have fees.
- The Bill History tab is where a customer can view 24 months of billing and consumption history.
- The Account Details tab shows current information; if the information is not correct, the customer can call 311 to have it corrected.

- The Paperless Billing tab is where customers can enroll in paperless billing, which includes email alerts for payment due dates, PDF versions of bill(s), and scheduling of payments. If you un-enroll in paperless billing, you have to re-enroll at a later date to stop receiving paper bills.
- Payments can be set up using checking or savings accounts and can be one time or recurring.
- There are several notification options available.
- Internal testing was conducted for several months, beginning in June 2012, with City staff.
- CMUD and the City plan to advertise/publicize the new portal soon, but are using this soft start to be sure any problems are resolved before it is used more widely.

Budget Development Process

- The fiscal year runs from July 1 through June 30.
- The official Citywide budget process kickoff was earlier this week – Budget & Evaluation builds the schedule according to the City calendar.
- Midyear projections are going to be submitted to Budget & Evaluation on December 21.
- November through February – CMUD staff will be working on budget needs and/or changes and evaluating service level changes internally.
- The budget then goes through Budget & Evaluation, the City Manager’s office and, finally, City Council.
- February 1 – Budget and CIP SOP are submitted to Budget & Evaluation.
- May 6 – City Manger recommends budget to City Council.
- September through May – Council budget retreats and adjustments occur. There is also a process where City Council has a chance to propose changes to the City Manager’s recommendations. If a proposal gets a majority of votes, it gets further exploration by staff and can be incorporated into the budget. A public hearing is held by City Council.
- June 10 – Budget adoption is on the Council agenda. State statute requires the City to adopt a balanced budget by June 30 each year.

Operating Budget

- The operating budget funds items such as personnel, chemicals, electricity, sludge disposal, and City services (attorney, IT support, etc.) that are needed for the day-to-day operation of the water and sewer system.

Capital Budget

- The Capital Improvement Program (CIP) budgets funds for infrastructure needs.
- The capital program has changed over time as the community and economy have changed. In FY08-12 and FY09-13, CMUD was in more of a growth mode than it is today.
- CMUD staff work almost constantly on the capital plan and budget. Staff is always working on master plans and noting requests for service extension that are received.
- CMUD tries to maintain consistency in the CIP over time, but there is opportunity to update the CIP each year if necessary.
- The CIP cash flow model is a dynamic tool that changes often. Barry Shearin and his staff watch the chart closely to be sure capital expenditures are aligned with fund availability. .
- CMUD budgets for capital on a program funding basis versus individual project funding basis. CMUD doesn’t sell bonds and pay interest on the borrowed money until it is needed. The most recent bond sale was in November 2009.

- The timing of bond sales is very important to minimize water/sewer rate impacts. We try to match the cash flow with the contract awards so we hit the right timing for debt issuance.
- Debt service payments are made twice per year and are included in the operating budget.

Strategic Operating Plan

- CMUD develops a strategic operating plan each year that includes long term strategies as well as business plans and key performance measures.

Rate Setting Process

- CMUD staff has to first project the total revenue requirement and needed service levels for the upcoming fiscal year. The total revenue requirement includes operating costs, debt service, and contributions to fund balance that are used for pay as you go capital project funding and to maintain debt coverage ratios.
- Consumption forecast – CMUD has to forecast water and sewer sales for the next fiscal year, which could change due to the economy and weather. Current consumption projections are probably not conservative enough to provide a high degree of certainty they will be met. If the sales forecast isn't met, revenue generated will not meet revenue budgeted. If the sales forecast is too conservative, water and sewer rates could be set higher than they need to be so there is a risk balance that has to be made. Currently, consumption for tiers 2, 3, 4 and commercial accounts are below the FY13 projections. Staff would have expected tiers 3 and 4 to have higher usage because of the dry fall. If this trend continues, CMUD will not meet the revenue budget set for FY13. The lower than budgeted revenue could lower planned contributions to fund balance which has a negative impact on debt coverage ratios and could reduce the amount of pay as you go capital project funding available next year.
- Utilities across the country are experiencing declining per capita usage, even with no drought.
- The fixed fee is set to recover billing and account management costs and collects about \$8M per year.
- The availability fee is set to recover about 20% of annual debt service and collects about \$30M per year.
- Lowering the sewer cap last year (the maximum amount of residential sewer bills) had a minor impact on revenues.
- The Rate Methodology Study recommended CMUD implement a different sewer billing strategy which would bill customers year round for sewer usage based on the amount of water each customer used during winter months. CMUD staff will be presenting this average winter use concept to Advisory for consideration in the near future. Staff is reviewing this along with other options that could address the equity issue experienced when customers are billed for sewer usage based on water usage that isn't returned to the sewer system. City Council approved the use of average winter consumption with the rate methodology and allowed implementation to be delayed pending further study and refinement of business processes.
- Capacity/connection fees are one-time charges paid when customers first connect to the system. The connection fee covers the cost of parts, supplies and labor used to physically install a new service. CMUD is starting to see capacity and connection fee collection increasing as the economy improves and more new services are being installed. CMUD is estimating to collect about \$3.5M more than budgeted for this fiscal year. The capacity fee is very volatile since it is based on new connections.

- City Council will consider approval of a CMUD Revenue Manual on November 26. Water and sewer rate and fee setting is prescribed in the City Code, but is done so by way of referencing a large number of studies and reports and amendments that have been completed since 1972. The Revenue Manual compiles approved methodology from these historical documents into one place that is easier to access and understand and will be easier to revise if needed in the future.– Advisory Role in the budgeting process – The Advisory Committee’s role in budgeting is to provide insight and perspective to CMUD staff and to advise City Council if needed.

Miscellaneous

Next month’s agenda will be discussion of the CIP budget. CMUD Chief Engineer Barry Shearin and his staff will talk about the process and projects.

- What are big picture issues?
- Description of how staff identify and prioritize projects
- Program budgeting vs. Project budgeting

Adjourned at 4:42 pm

Karen L. Baldwin