



# Guide to Utilities Budget & Water/Sewer Rates

Last Updated November 29, 2010

## INTRODUCTION

Charlotte-Mecklenburg Utilities is a community-owned *enterprise fund* of the City of Charlotte. Utilities does not operate on a for-profit basis, and its customers support the full cost to run and maintain the water & sanitary sewer (wastewater) operation that protects public health & safety, promotes economic opportunity and safeguards our natural environment. Taxpayer funds do not support Charlotte-Mecklenburg Utilities – its *ratepayers* do. Water/sewer customers include residents and businesses from Charlotte, Cornelius, Huntersville, Davidson, Pineville, Matthews, Mint Hill and unincorporated Mecklenburg County.

Charlotte City Council approves the Utilities budget (including water and sewer rates and fees) each June, as part of the City's overall budget adoption process. Every year, Utilities prepares and presents a 10-year financial plan that includes revenue requirements and projected rates. City Council has historically approved annual water/sewer rate increases to support the utility's operating budget (annual costs to pay for personnel, system maintenance, chemicals, electricity, etc.), and for our community's water and wastewater capital improvements program (CIP). About sixty cents of every dollar paid by customers is applied toward the CIP through repayment of long-term loans for pipe, plant and other construction and improvement projects.

Our community grows every year. The water and wastewater system grows as a result, through more water/sewer customers and new metered connections. The community's eight plants – along with thousands of miles of pipes and other equipment – require maintenance and reinvestment due to age and increasing regulatory requirements. Even though water consumption (and therefore revenues) will vary from year to year, most utility operating and capital costs are fixed, regardless of consumption. During the past five years, Utilities rate increases have averaged 7.9 percent. Even with these increases, water and wastewater rates compare favorably to other cities locally and nationwide (see attached pages). Further, Utilities is one of few public water and sewer operations in the U.S. to earn multiple AAA bond ratings. These superior ratings keep loan interest rates as low as possible. Based on the utility's current level of long-term financing to fund capital improvements, the interest savings can total millions of dollars in a single year; therefore, maintaining the AAA bond rating helps keep rates low for customers.

### **\$275 MILLION UTILITIES BUDGET APPROVED FOR FISCAL YEAR 2011**

**Rate Increase Takes Effect July 1, 2010**

Despite ongoing Utilities cost reduction programs and budget cuts, a general hiring freeze during the past two years and a strategic decision not to fund 97 vacant staff positions during the fiscal year ending June 30, 2010, water and wastewater capital & operating costs are projected to increase by an estimated \$13 million during the next fiscal year that begins July 1, 2010. On June 7, 2010, City Council unanimously approved the City's FY11 budget, which includes a \$275 million Utilities budget. To fund the Utilities budget, a proposed water/sewer rate increase will apply beginning July 1, 2010.

The impact of this year’s rate increase on customers will depend on a customer’s individual water use. As proposed, fixed water account and sewer account monthly charges would increase by \$0.02 per day for all customers, and sewer consumption charges would increase. Water consumption charges would not increase.

The following information illustrates FY10 rates, the approved FY11 rates, and the financial impact of the rate increase to customers. Also shown is the latest information available showing how Charlotte-Mecklenburg’s rates compare to other cities and communities. Additionally, a 2-page list of *Frequently Asked Questions* about utility rates and budget. If you have further questions or concerns, please see additional information and email address options on the Utilities website at [www.cmutilities.com](http://www.cmutilities.com). You can also contact us by dialing 311 (or 704-336-7600).

**THANK YOU for your continued support, and the opportunity to provide citizens with  
*Clean Water for a Healthy Community.***

CITY OF CHARLOTTE		Rates Comparison	
RATES			
	FY10	FY11 Effective 7/1/10	
<b>Projected Water Rates</b>			
Fixed Charge (per month)	\$1.80	\$2.40	
Volume Charges (per ccf)			
Tier 1: 0-4 ccf	1.45	1.45	
Tier 2: 4-8 ccf	1.64	1.64	
Tier 3: 8-16 ccf	2.69	2.69	
Tier 4: 16+ ccf	5.32	5.32	
Non-Residential (per ccf)	2.04	2.04	
<b>Projected Wastewater Rates</b>			
Fixed Charge (per month)	1.80	2.40	
Volume Charge (per ccf)	4.00	4.31	


**1 ccf = 100 cubic feet = 748.05 gallons**

**Residential, multifamily and irrigation meter customers** pay for water consumption based on a tiered rate structure, whereby customers who use more water pay a higher rate past certain usage points. This pricing structure provides for lower rates for essential water use by low- and fixed-income customers, while providing all customers with a financial incentive to be as water efficient as possible.

Heavy water users pay a higher rate— which recoups the added costs of building a water treatment and delivery system that must provide for maximum treatment and delivery capacity at all times, even when consumption only reaches peak demands during the spring and summer irrigation seasons. Residential

and multifamily customers do not pay sewer usage charges past 24 ccf of metered water usage during a typical 28 to 33 day billing cycle.

**Commercial customers** pay a fixed, per-unit water consumption rate and do not pay a limit on sewer use. **Irrigation meter customers**, which may apply to commercial or residential sites, don't pay sewer charges but monthly water consumption charges begin at Tier 3.



## Monthly Impact of Rate Increase

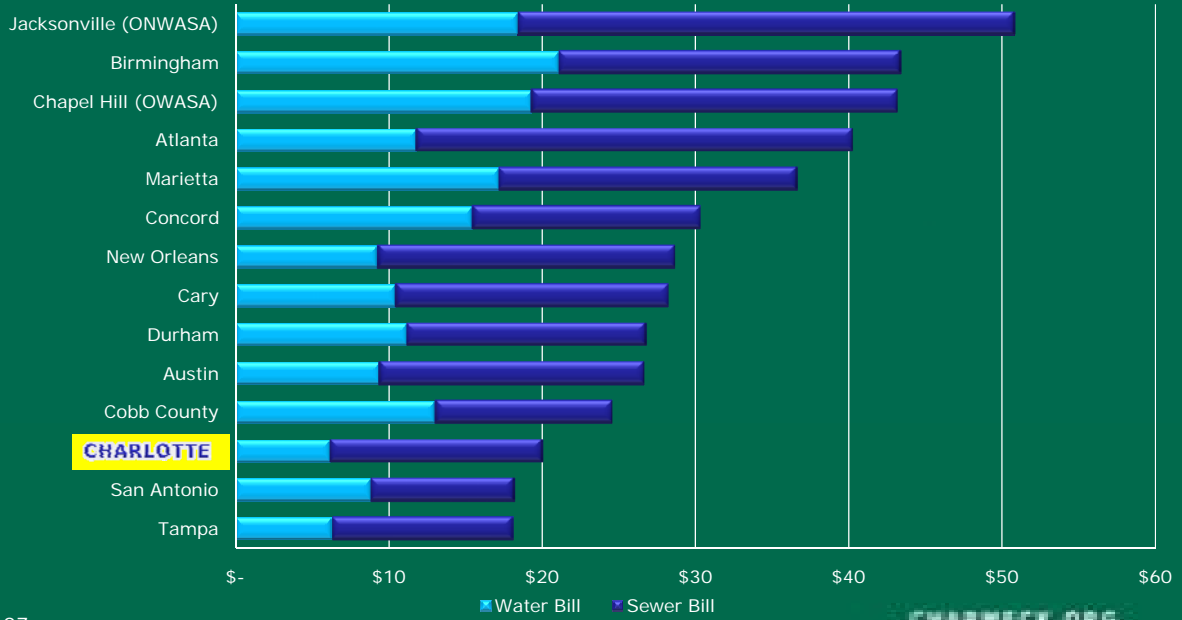
User	Current Usage	Current Water + Sewer Bill	New Amount	Amount Of Increase	Notes
Residential & Multifamily	4 Ccf or 2,992 gallons	\$25.40	\$27.84	\$2.44	38% of residential customers use 4 Ccf or less per month
	8 Ccf or 5,984 gallons	\$47.96	\$51.64	\$3.68	75% of residential customers use 8 Ccf or less per month.
	16 Ccf or 11,969 gallons	\$101.48	\$107.64	\$6.16	95% of residential customers use 16 Ccf or less per month.
	Sewer use charges end after 24 Ccf of monthly usage.	24 Ccf or 17,953 gallons	\$176.04	\$184.68	\$8.64
Commercial	32 Ccf or 23,938 gallons	\$218.60	\$227.24	\$8.64	
	Varies Widely By Business			Approx. 5.5%	
Irrigation Meter (Commercial or Residential*)	Varies Widely By Customer & Season			\$0.60	Irrigation meter customers do not pay sewer charges.
	* Most res. customers irrigate from their domestic line, not a separate irrigation meter.				

HOW DO CHARLOTTE-MECKLENBURG'S WATER/SEWER RATES COMPARE?

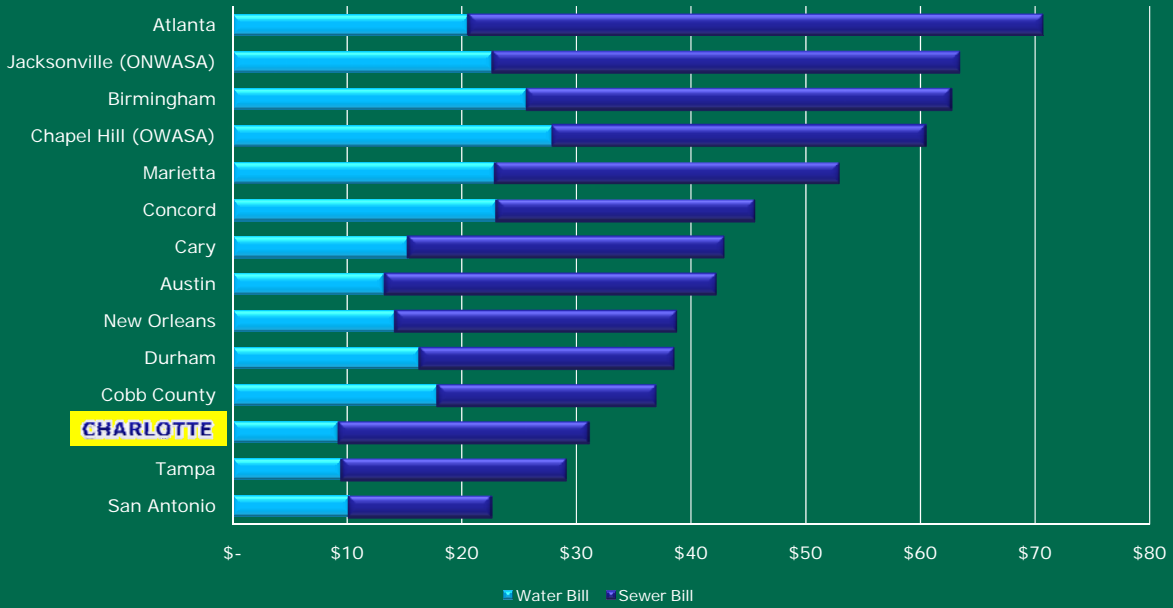


FY10 Comparison to Other Cities

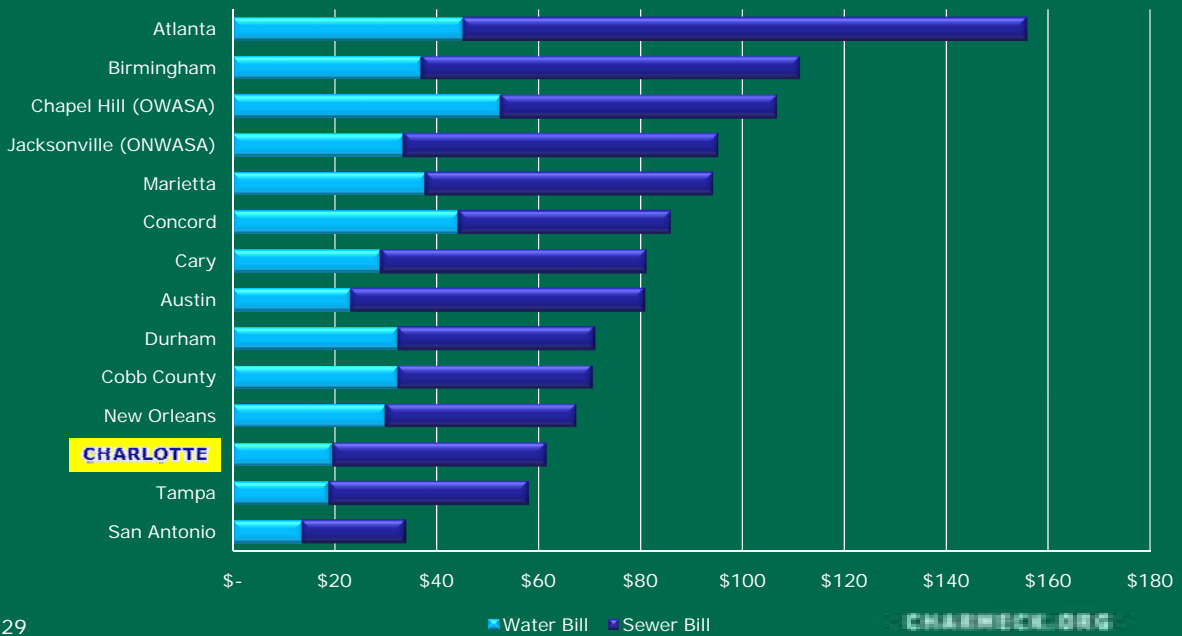
3 ccf Customer Bill Comparison  
 Approx. 27% of residential bills are at or below 3 ccf



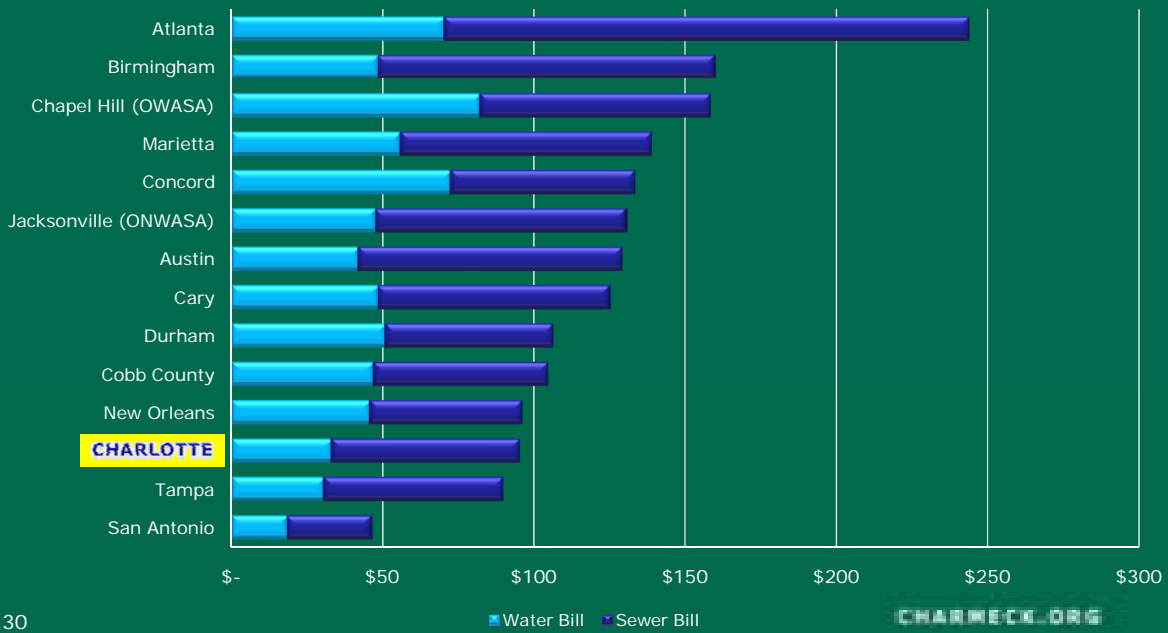
5 ccf Customer Bill Comparison  
 Approx. 49% of residential bills are at or below 5 ccf



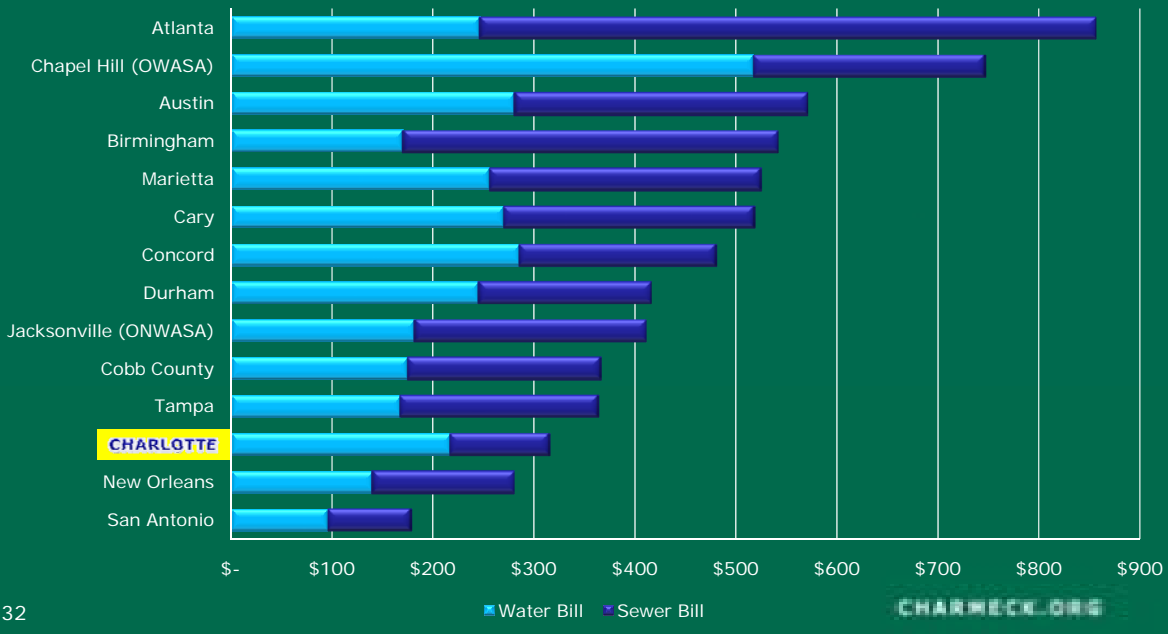
10 ccf Customer Bill Comparison  
 Approx. 84% of residential bills are at or below 10 ccf



15 ccf Customer Bill Comparison  
 Approx. 94% of residential bills are at or below 15 ccf



50 ccf Customer Bill Comparison  
 Approx. 99.7% of residential bills are at or below 50 ccf





### **Why does Utilities need a rate increase?**

Two main reasons: First, bonds issued last year to fund water & wastewater capital improvement projects will cause an increase in Utilities debt service; Second, the system's operating costs to pay for electricity, chemicals, and other services (including customer service improvements) are increasing.

### **Why doesn't Utilities reduce staff to save money instead of having a rate increase?**

We have. Utilities eliminated funding for 97 positions in FY10 and held about 30 additional positions vacant during the year. Utilities had 60 fewer funded positions in FY2010 than we did 10 years ago, although the water and sewer system grew by more than a third during that time period. These staff reductions have already had a significant negative impact on customer service and operations. Further reductions would result in even more negative impacts.

### **Why can't Utilities just reduce other costs instead of asking for a rate increase?**

We have. Since 1995, Utilities has driven down operating costs year after year by competing with the private sector, benchmarking and optimizing operations, implementing sophisticated energy management techniques, and developing an Environmental Management System that is ISO (International Standards Organization) 14001 certified. These measures have allowed rate increases to generally be kept at lower levels than financial models have predicted.

### **Is it true the lowest water users will pay the biggest increase?**

Not true in the sense of actual dollars paid. The rate increase that takes effect July 1, 2010 will:

- raise everyone's fixed monthly water account fee by \$0.02 per day
- raise everyone's fixed monthly sewer account fee by \$0.02 per day
- not raise the water volume (usage) charge – which is based on a customer's metered water consumption; and
- raise the sewer volume (usage) charge (which is based on metered water use).

Approximately 75% of residential customers will experience a total monthly water & sewer bill increase of \$3.68 or less per month. It is true that the percentage of proposed increase is mathematically higher for a customer who uses less water and has a lower bill, compared to a high-consumption customer who pays a higher bill. But even for the heaviest water users, no residential customer will pay an increase higher than \$8.64 per month.

### **Is the need for a rate increase unexpected?**

No. Each year, Utilities prepares a 10-year financial plan which includes revenue requirements and projected rate increases. Increased operating costs and debt service for construction projects drive the need for annual increases, which have averaged a total of 7.9 percent during the past five years.

The approved increase for FY11 is about 2% lower than the previously projected need, thanks to utility operating budget reductions, delayed capital projects and a lot of discussion, questions, research and difficult recommendations and choices made by City and Utilities staff and our elected leaders.

### **There was a big rate increase in 2008 during the drought because water usage went down. The drought is over! Can't we lower water rates?**

Water consumption this year remains low compared to pre-drought usage. The water supply shortage eased, yet customers are continuing to irrigate less and/or water more efficiently using proper irrigation methods. That change – along with wetter weather patterns – has kept water consumption low. *Utilities encourages ongoing water conservation.* Projections show that if pre-drought water usage trends were to continue, Charlotte area's water needs would exceed the capacity of the Catawba River system to meet those needs by approximately 2048. Conservation is absolutely necessary for a sustainable future. Regardless of the drought situation, rate increases are necessary due to debt associated with expanding and maintaining a water and sewer system to serve Charlotte and Mecklenburg County.

### **How do water & sewer rates in Charlotte compare to other cities?**

Rates in Charlotte are very competitive. A comparison of 14 cities prepared by a nationally recognized rate consultant found that Charlotte water and sewer customers pay less than all but 3 of the other cities. Customers in cities such as Concord, Durham, Cary, Atlanta, Birmingham, and Austin, Texas pay significantly more for water and sewer than do Charlotte residents. Other comparisons with other groups of cities have found very similar trends (see [www.cmutilities.com](http://www.cmutilities.com)).

### **Why does Utilities keep expanding the water and sewer system?**

Growth and new development in our community has slowed, but Charlotte is still growing. The biggest need today is to increase wastewater treatment capacity. The largest treatment plant in our system exceeded 90% of its capacity in February 2010. It can take 5-8 years to plan, design, obtain permits, and build a treatment plant expansion. Economic recovery in Mecklenburg could be impaired if building restrictions became necessary because of lack of sewer treatment capacity as the real estate market begins its recovery.

### **It takes Utilities too long to fix water leaks. Why should they get a rate increase?**

Utility cost reductions over the last few years have led to a shortage of up to 19 field crews due to vacant and unfunded positions. These are the crews that normally repair water leaks and clear sewer line blockages. The backlog of leaks that need to be repaired grew quickly during the winter of 2009-10, when unusually cold weather caused soil to shift and pipes to leak and break.

### **What about the water meter & customer service problems in the news recently?**

The City Manager and Utilities initiated a 9-part project to improve customer service that will be complete by Fall 2010. One part is a field audit of about 9,000 water meters to determine if there are performance problems with any pieces of the meter reading equipment. Every individual problem found will be fixed, and if there are signs of a bigger problem, we will address them.