

## REQUEST FOR BOARD ACTION

### CANE CREEK WATER AND SEWER DISTRICT

**MEETING DATE:** September 8, 2009

**SUBJECT:** **FY2010 Proposed Treatment Rate Adjustment  
Cane Creek Water and Sewer District (CCWSD)**

**ATTACHMENTS:** Yes: Presentation on CCWSD Rates

#### **SUMMARY OF REQUEST:**

With notification of the treatment charge from the Metropolitan Sewage District (MSD), staff recommends the following rate schedule adjustments (in bold) to the FY2010 Budget for the Cane Creek Water and Sewer District:

	<i>Current Monthly Rates (FY08 &amp; FY09)</i>	<i>Proposed Monthly Rates (FY10)</i>
<i>A. Minimum Charge (up to 4,500 gallons)</i>	\$16.42	\$16.42
<i>B. Treatment Charge (from 0 gallons up)</i>	\$4.57 per 1,000 gallons	<b>\$4.88 per 1,000 gallons</b>
<i>C. Overage Charge (over 4,500 gallons)</i>	\$3.67 per 1,000 gallons	\$3.67 per 1,000 gallons

*Note: For Total Monthly Charge add results of (B) and (C) to (A)*

With the proposed increase, the monthly sewer bill for the average homeowner will increase by \$1.39 which is about a 3% increase overall. On August 11, 2009, the CCWSD Advisory Board voted 5-2 to limit the Treatment Charge to \$4.75 per 1,000 gallons. The attached presentation provides more detail on the proposed rate adjustment.

#### **BOARD ACTION REQUESTED:**

The Board is requested to adjust the CCWSD Treatment rate for FY2010 to \$4.88 per 1,000 gallons to reflect treatment expenses from MSD.

**Suggested Motion:** I move that the Board adjust the CCWSD Treatment rate for the FY2010 budget to \$4.88 per 1,000 gallons to reflect treatment expenses from MSD.

# FY2010 Treatment Rate Adjustment

## Cane Creek Water and Sewer District

Engineering: Utilities



# MSD (Metropolitan Sewer District)

The District Board consists of twelve members. Three from the County of Buncombe, three from the City of Asheville, one from Woodfin Sanitary Water & Sewer District, and one each from the Towns of Biltmore Forest, Black Mountain, Montreat, Weaverville and Woodfin.

- Only charge Out of District Customers \$0.01 more than District
- CCWSD is MSD's largest customer
- MSD & CCWSD are dependent on each other....

# MSD Rate Increase

- CCWSD is an Enterprise Fund
  - No Funding from the General Fund (currently)
- CCWSD Rate includes:
  - Minimum & Overage Charge (CCWSD)
  - Treatment Charge (MSD)

# MSD Rate Increase

- CCWSD Rates should reflect the expenses they offset:
  - Treatment Rate = MSD Treatment Expenses
  - Minimum & Overage Charge = CCWSD Collection and Operation Expenses

# MSD Rate Increase

CCWSD rates (FY2010) are comparable to neighboring utilities:

- CCWSD (4500 gallons): \$38.28 / month
- Hendersonville (4500 gallons, out of town): \$37.34
- Hendersonville (4500 gallons, Flat Rock): \$41.39
- MSD (4500 gallons, out of District): \$29.63
  
- CCWSD (w/ MSD increases): \$39.54

# MSD Rate Increase

- CCSWD has not increased rates since **1998**
- MSD Increases its Charge for Treatment Annually (typically 1.5%, recently 3.5%)
- Until FY09, CCSWD Typically Matched the MSD Treatment Charge Increase so the Rate for Treatment equaled the expense.

# MSD Rate Increase

## MSD Treatment Fee Increases Needed

- 3.1% from FY09
- 3.75% for FY10
- From \$4.57 / thousand gallons to \$4.88
- Increase of \$0.31 / thousand gallons or \$1.31 for a typical customer



# MSD Rate Increase

- Budget Impact of 3.1% Treatment Rate Increase in FY09
  - Revenue from User Fees: \$1,051,390
  - Projected Impact of Treatment Rate Increase: \$40,000
  - \$40,000 is **4% of Budgeted Revenue**

# MSD Rate Increase

- Budget Impact of 3.75% Treatment Rate Increase in FY10 added to FY09 of 3.1%
  - Projected Impact of Treatment Rate Increases: over \$80,000
  - \$80,000 is **8% of Budgeted Revenue**
  - **Add \$40,000 from FY09 = \$120,000**

# MSD Rate Increase

Likely Budget Impact from Continuing to not pass on MSD Treatment rate of 3.5%:

–FY11: \$240,000

–FY12: \$500,000

–FY13: \$1,000,000

–**Not a sustainable fee strategy**

# MSD Rate Increase

- On August 11, 2009, the Cane Creek Advisory Board voted 5-2 to recommend only the 3.75% increase.
- This recommendation does not account for the FY09 increase of 3.1% and leaves a \$40,000 annual deficit between treatment expenses and revenue.

# MSD Rate Increase

To assure a healthy and self-sufficient Enterprise Fund , avoid traumatic rate increases like in 1998 and to follow the Fiscal Plan from the 2009 Basin Study, staff recommends for FY2010 and future budgets, the CCWSD treatment charge equal the treatment charge from MSD.