

Onondaga County's Consolidated Sanitary District User Fee & Rate Study Considerations

Discussion Handout For Ways and Means Committee of the Onondaga County Legislature

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Save the Rain
www.savetherain.us

Overview

- Unit Charge – a fee (not tax) and basic rate elements
 - Rates here and rate trends across the country
- Major components of budget and unit charge
- Rate stress on the horizon
- Alternative approaches to rate and revenue structure



Consolidated Sanitary District (CSD) Unit Charge Fundamentals

- CSD serves 21 municipalities. Treating 29 billion gallons of wastewater each year.
- The 2013 fee is \$362.55 per year (\$30.22 /mo.) – flat fee
- Fee is charged only to users of the service, not a tax; a user fee charged to every user sending waste
- Basic fee is for up to 140,000 gallons of flow per year
- Apartments pay 75% of fee. (\$271.91)
- Industry pays for flow based upon 140,000 gallon increments
- Approximately 180,000 units billed annually



Major components of Unit Charge and Budget

- **Major expenses & 2013 value:**

- Operations and Maintenance, including personnel, treatment chemicals, sludge disposal (\$42,700,000)
- Utilities (\$8,640,000)
- Cash for capital projects (\$4,800,000)
- Debt Service (\$13,601,000)
- Interdepartmental payments to GF (\$3,263,000)

- **Major Revenue Sources**

- Unit Charge (\$65,377,000)
- High strength wastes and Honeywell (\$3,600,000)
- Service fees billed to municipalities (\$1,900,000)
- Plumbing permits and fees (\$430,000)



Syracuse Metropolitan WWTP



National Rate Comparison

- Two national rate studies
 - NACWA Service Charge (2012)
 - National average - \$410 per year
 - Up 33% over past 5 years
 - <http://www.nacwa.org/12index/files/assets/common/downloads/publication.pdf>
 - 50 largest city study (2012/2013 report)
 - 50 city average @ 90,000 gallons per year - \$534.24
 - Compound *annual* increase in bills 2001-2013 – 6.1%
 - <http://bv.com/docs/management-consulting-brochures/50-largest-cities-brochure-water-wastewater-rate-survey>
 - Onondaga CSD - \$362.55
 - Up 13.9% over past 5 years
 - Based upon 140,000 gallons per year



Key Factors in National Rate also Factors Here

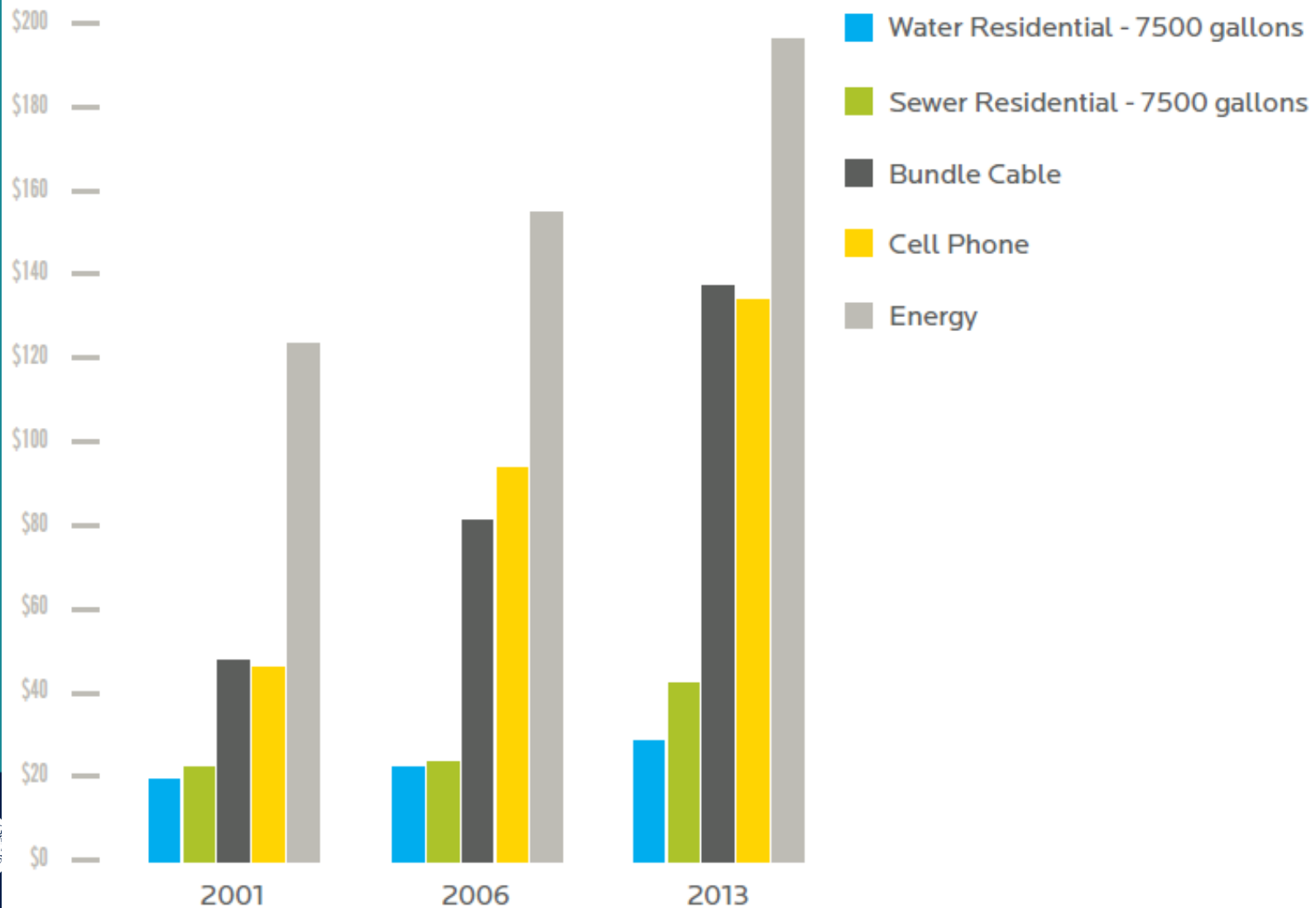
- **Volatile commodity prices for electricity, chemical, and fuel** - WEP is the county's largest energy user. (2014 electric charges are estimated to rise by \$1.7M)
- **Influence of Wastewater Consent Decrees** – WEP has added significant projects: ACJ compliance, Liverpool area consent orders, and Metro Ammonia & Phosphorus removal. 5 of 6 plants currently being re-permitted, all with tougher standards.
- **Aging Infrastructure** – 3 of 6 plants capacity constrained plus numerous pump stations



From 50 City Rate Study, p 7 – Average Monthly Utility Bills

Q: Is clean water worth more than cable TV?

FIGURE 3
TRENDS IN AVERAGE MONTHLY UTILITY BILLS



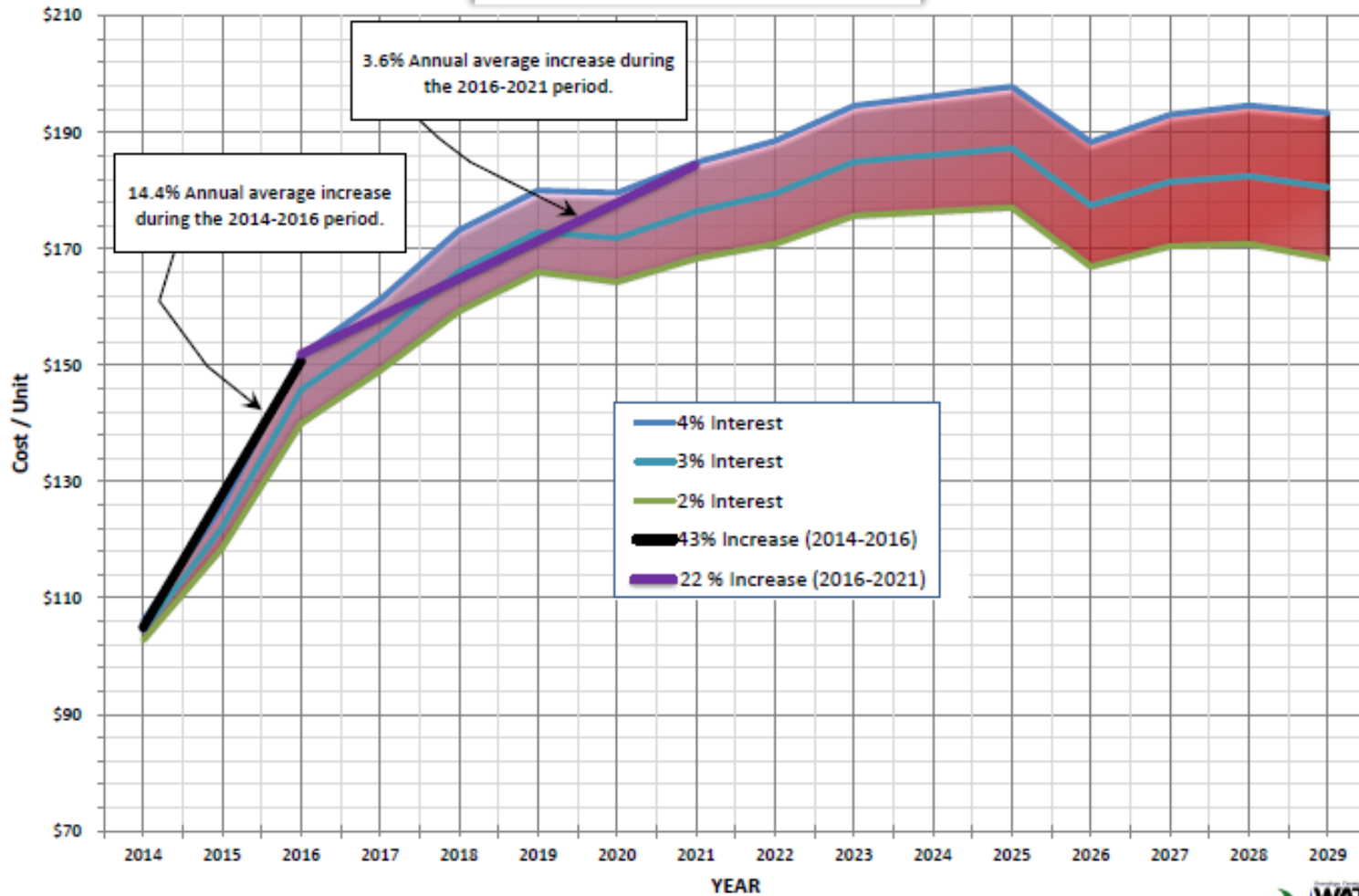
Rate Stress around the Corner

- Previous rate requests did not keep pace with industry trends; catch up effect.
- 2 large Amended Consent Judgment storage projects are moving from short term (no debt service) to long term financing (debt service payable) in 2014.
- EPTS Consent Order projects moving to completion and debt service.
- The satellite plants and original Metro plant are all over 32 years old and of late received less attention due to consent order pressures.
- 3 of 6 treatment plants constrained, 5 of 6 plants being re-permitted. Additional regulatory investment required.
- The past decade witnessed a 20% growth in number of pump stations serviced, but the same number of units in the district. More to maintain; same rate base to invoice.



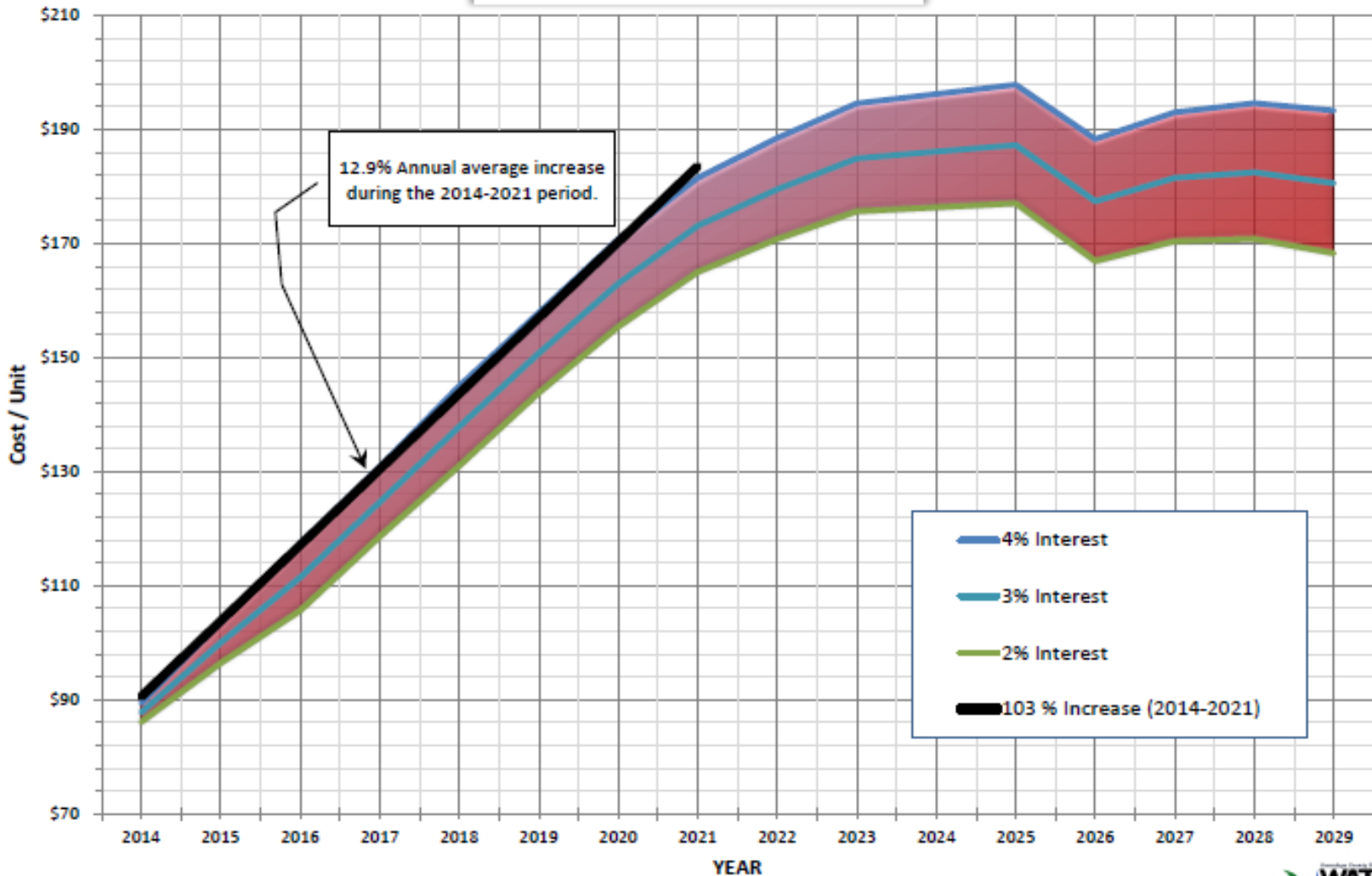
Looming Spike In Debt Service

Water Environment Protection
Effect of Debt on Unit Charge
Without Fund Balance Applied



Looming Spike In Debt Service

Water Environment Protection
Effect of Debt on Unit Charge
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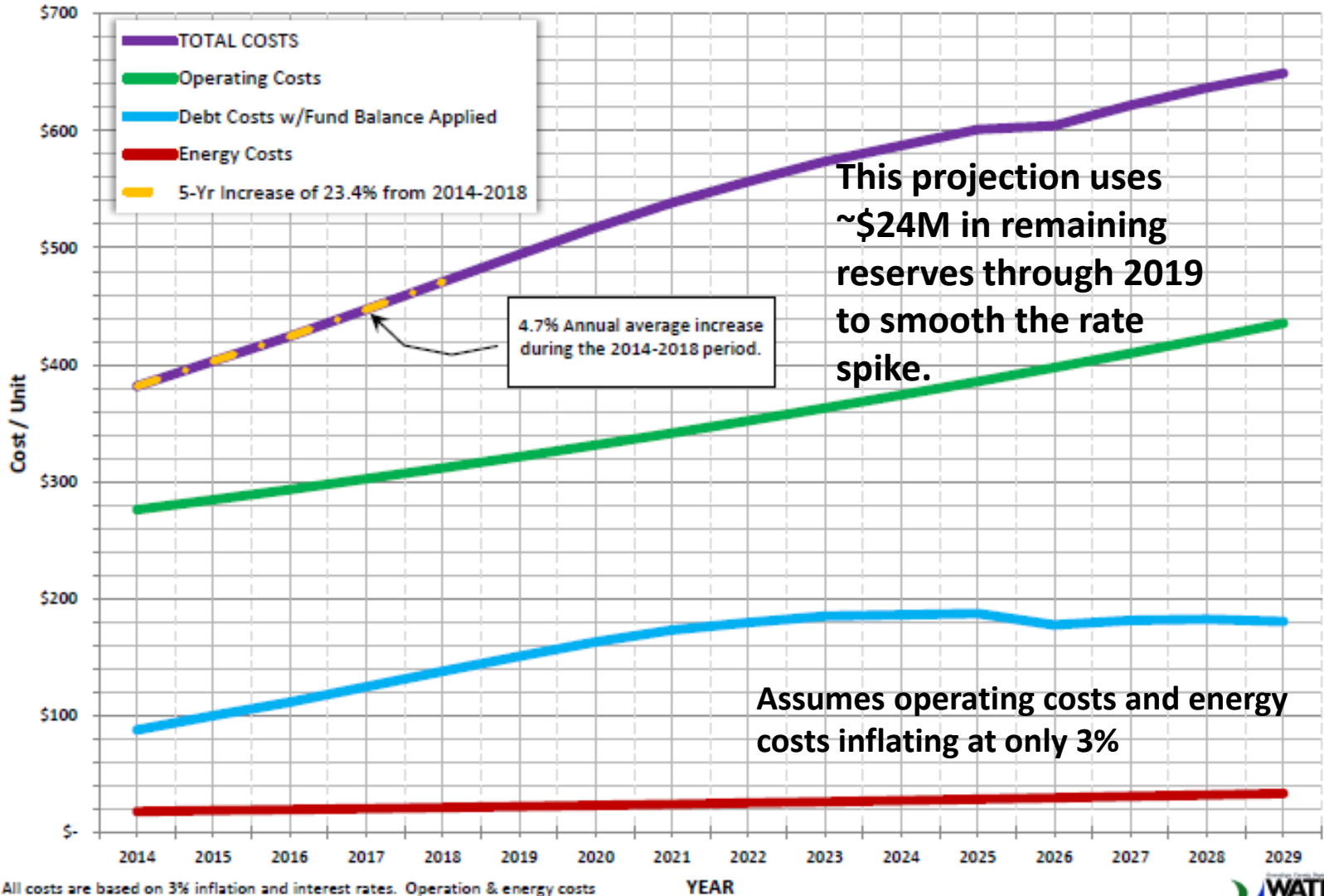
Additional Rate Stress Factors

- Current budget balanced using \$2.7M from Honeywell Dredging – project revenue ends with dredging in 2015 or 2016.
- Energy markets rebounding; \$1.7M increase projected in 2014 alone... More to follow?
- Payroll elements – 2.7% growth w/o any raises:
 - Benefits costs continue to grow.
 - Reasonable to anticipate some out-year wage inflation?
- Aging municipal infrastructure constantly adding flow but not adding users.



Projected Rate *after* proposed 2014 increase and before 2015 phosphorous optimization O&M costs added

Water Environment Protection
Operating, Energy, & Debt Costs



This projection uses ~\$24M in remaining reserves through 2019 to smooth the rate spike.

Assumes operating costs and energy costs inflating at only 3%

All costs are based on 3% inflation and interest rates. Operation & energy costs do not include revenue considerations.



Across the US and local reminders

- The average residential rate in Ohio (2011) was \$557. (source Ohio EPA, April 2013)
- Miami FL, 8% hike to \$180 per quarter. (2013)
<http://www.miamiherald.com/2013/06/04/3432887/miami-dade-commissioners-sign.html>
- Sewer charges in Los Angeles will rise 77% over a decade beginning 2011 <http://www.nbclosangeles.com/news/local/Council-Approves-Sewer-Rates-Hike-132258583.html>
- Utilizing green and innovative solutions built broad community support and also softened rate spikes in Philadelphia, <http://www.phillywatersheds.org/ratesinfo>
- Coming soon (2015) *required* Metro Phosphorous Optimization, it isn't cheap! \$12,400,000 for construction, \$3,000,000+ in O & M – BUT we avoided a \$910,000,000 capital spend.
- 5 of 6 treatment plants now in permit renewal, DEC has drafted stiffer effluent standards at each one.



Rethink the Current Rate Structure!

Rate Study – a multi-year project

- Study transition from flat rate to flow based rate. (high flow pays its fair share)
- Study stormwater fees. (stormwater runoff pays its fair share) Regulatory costs for stormwater are imminent.
- Consider strength based fees for broader user classes. (high strength pays its fair share)
- Consider payment for capacity as well as use. (capacity reservation pays its fair share)
- Typically these and other scenarios are carefully considered. Multi-year study and policy effort.



Take Away Points

- The sewer unit charge here is very low and set to increase toward national levels and trend.
- Aging assets and regulatory pressures will further stress rate.
- With rate increases we should consider rate structures which improve inherent fairness and better reflect true service costs – we continue to seek support for a rate study.



QUESTIONS?

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