THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: April 25, 2023

Subject: Proposed Water Resources Fee Adjustments for Fiscal Year (FY) 2023-24

Staff Resource: Taylor Floyd, Interim Finance & Management Services Director
David Melton, Water Resources Director

Action Requested: Adoption of an ordinance establishing FY 2023-24 fees and charges for the Water Resources Department.

Background:

- Fees and charges comprise 35% of City-wide revenue and 10% of General Fund revenue.
- Attachment A provides detailed information for fee adjustments under consideration for FY 2023-24, including impacts on revenues, customers, and service provision.
- Information on Water Fund fees and charges was provided at the following meetings:
    - February 14, 2023 (Policy, Finance and Human Resources Committee): Overview of significant changes to fees and charges under consideration.
    - March 14, 2023 (Policy, Finance and Human Resources Committee): Review of staff recommended changes to fees and charges.
    - March 23, 2023 (City Council Agenda Briefing): Information comparing the Water Fund's fees and fee structure to benchmarked peer systems provided.
    - March 28, 2023 (City Council Regular Meeting): Formal presentation of recommended changes to fees and charges. Recommendations other than for the Water Fund were approved, additional information was requested for Water Fund changes.
    - April 11, 2023 (City Council Budget Work Session): Additional follow up on Water Resources.
- Recommended fee adjustments will become effective July 1, 2023.
- Typical household impact of major fee changes proposed for FY24 are below. Changes to solid waste and stormwater fees were previously approved by City Council at the March 28, 2023 meeting.

Fee	Bi-Monthly Bill Increase	FY24 Annual Increase
Solid Waste	$ 2.00	$ 12.00
Stormwater (Tier 2)	$ 1.76	$ 10.58
Water (6 CCFs/month)	$ 7.13	$ 42.78
Total	**$ 10.89**	**$ 65.36**

Council Goal(s):

- A financially resilient city

Committee:

- The Policy, Finance and Human Resources Committee reviewed this information on March 14, 2023 and did not take action on the recommendations.
- The Committee requested additional information about the recommended changes to Water Resources Fees, which was provided to City Council at the March 23 agenda briefing meeting.

Pros:

- Provides for cost recovery from those that directly utilize or benefit from the service where appropriate, reducing the financial burden of City services on taxpayers.
- Provides additional revenue to help balance the FY 2023-24 budget.
- Allows staff to begin communicating fee changes to citizens, customers, and stakeholders so they are aware of changes that will be implemented on July 1, 2023.
- Provides funding to make needed investments in the Water Fund while a consultant-led rate study is completed.

Con:

- A minimal increase in the cost of city services.

Fiscal Impact:

- The fiscal impacts of proposed changes are shown in Attachment A.

Suggested Motion:

- Motion to approve an ordinance amending the fees and charges manual for Fiscal Year 2023-24.

Attachments:

- Ordinance
- Water Resources Fee Proposal Summary

ORDINANCE NO. _____

ORDINANCE ADOPTING THE FISCAL YEAR 2023-24 FEES & CHARGES

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE THAT:

The attached Fiscal Year 2023-24 fees and charges for the Water Resources Fund, attached hereto and made a part hereof, be adopted.

That this ordinance shall be in full force and effective upon July 1, 2023.

Read, approved and adopted this 25th day of April, 2023.

_____ _____
City Clerk Mayor

Approved as to form:

_____
City Attorney

Attachment A - Water Resources Fee Proposal Summary

Description: Base and consumption fees charged to Water customers; fee charged to the Metropolitan Sewerage District for billing services; deposits for rental of hydrant meters.

Revenue Impact: Water utility charges (base fee and consumption charges) are typically updated annually to cover the ongoing costs of providing the service. Every 1% increase in the base fees yields $59,000 in additional revenue. Every 1% increase in consumption charges is estimated to generate an additional $307,000 of revenue. Other fees are revised periodically as needed to cover costs associated with the fee.

Background:

- Water Resources' main source of revenue is charges for service billed to water system customers.
- The department also collects other fees for specific services including new connections, meter rereads, and hydrant meter rentals.
- Historically, incremental annual increases to base fees and consumption charges have been approved to align with the cost of providing water service.
- Proposed changes for FY24 include:
    - Increasing the per bill fee charged to MSD, from $2.66 per billing to $2.83 per billing, consistent with the cost of service and prior year changes.
    - An increase in base fees charged to customers according to meter size. On average, base fees would increase 17.7%, with a slightly lower increase for single-family residential customers (16.6%). See chart below for a full comparison.
    - An increase in consumption charges billed to customers based on the volume of water used. Consumption charges would increase approximately 9% for a single-family residential customer. See chart below for a full comparison.
    - An increase in hydrant meter rental deposits. Hydrant meters are often used during major construction projects, where water to the location has either not yet been established or has been turned off and a permanent meter cannot be used. The proposed changes would increase the deposit for a ⅝" hydrant meter to $500 and the deposit for a 3" hydrant meter to $1000.

Base Charge*	Bi-Monthly Current	Bi-Monthly Proposed	Change	Monthly Current	Monthly Proposed	Change
⅝"	$ 11.10	$ 12.95	+$ 1.85	$ 6.18	$ 7.13	+$ 0.95
¾"	$ 16.03	$ 18.76	+$ 2.73	$ 8.64	$ 10.04	+$ 1.40
1"	$ 25.88	$ 30.40	+$ 4.52	$ 13.57	$ 15.86	+$ 2.29
1.5"	$ 50.50	$ 59.48	+$ 8.98	$ 25.88	$ 30.40	+$ 4.52
2"	$ 80.05	$ 94.38	+$ 14.33	$ 40.65	$ 47.85	+$ 7.20
3"	$ 158.85	$ 187.46	+$ 28.61	$ 80.05	$ 94.38	+$ 14.33
4"	$ 247.50	$ 292.16	+$ 44.66	$ 124.38	$ 146.74	+$ 22.36
6"	$ 493.75	$ 583.01	+$ 89.26	$ 247.50	$ 292.16	+$ 44.66
8"	$ 789.25	$ 932.03	+$ 142.53	$ 395.25	$ 466.67	+$ 71.42
10"	$ 2,069.75	$ 2,444.45	+$ 374.70	$ 1,035.50	$ 1,222.88	+$ 187.38

**Some commercial users are billed monthly*

Volumetric Charge (per CCF)	Current Fee	Proposed Fee	Change
Single Family Residential	$4.77	$5.21	+$0.44
Irrigation	$5.90	$6.44	+$0.54
Multi-Family Residential	$4.20	$4.58	+$0.38
Commercial			
0-1,000 CCF Monthly 0-2,000 CCF Bi-Monthly	$4.04	$4.41	+$0.37
>1,000 CCF Monthly >2,000 CCF Bi-Monthly	$2.51	$2.74	+$0.23
Manufacturer			
0-1,000 CCF Monthly 0-2,000 CCF Bi-Monthly	$4.04	$4.41	+$0.37
>1,000 CCF Monthly >2,000 CCF Bi-Monthly	$2.29	$2.50	+$0.21

Customer: Customers impacted by these fees include occupants and owners of single- and multi-family residential, commercial, and manufacturing facilities connected to the City of Asheville water system, as well as MSD (for the billing charge) and developers (for hydrant meters).

Service Impact: Along with covering typical year-over-year cost increases, the proposed fees will also include funding for a number of operational improvements that, while planned before the December 2022 outage, are imperative to improving operations and avoiding similar outages in the future. The following are being considered for funding:

- An additional maintenance crew to reduce repair response times and increase the amount of preventative line maintenance the department can complete.
- Enhanced night coverage for the water treatment plants to reduce safety concerns and increase ability to respond quickly to problems.
- Customer service staff to manage the transition to the automatic meter infrastructure (AMI) system already underway.
- A new communication specialist to develop a program of regular engagement with customers, and improve emergency communications.
- Additional engineering staff to support capital improvements at water treatment plants, pump stations, and storage tanks.
- The Department is also still recovering from the loss of revenue resulting from the elimination of the Water CIP fee at the end of Fiscal Year 2019-20. This loss of revenue has reduced funds available for long-term capital projects and maintenance, and the higher proposed rate increase will help maintain capacity for this work.