Proposed Fees & Charges

May 11, 2021

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Presentation Overview

- Water rate realignment
  - Capital Improvement Program (CIP) Fee history.
  - Rate realignment plan.
  - Additional information on customer classes, rate history, and comparison to other cities.
- Other fee changes.
  - Recommended for adoption.
  - Recommended for midyear FY22 review.

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Water Rate Realignment

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Water Resources Fund

- Largest Enterprise Fund: $30M-$40M budget
- Current debt rating of Aa1.
- Consultant developed rate model.
- Substantial capital, debt, and operating costs.

Average annual capital investment	$ 11M
Annual debt service	$ 5M
Occasional large project, such as:	
North Fork Dam (near completion)	$ 40M
Meter Replacement (upcoming)	$ 20M

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Water Resources Capital (CIP) Fee

- Water system governance structure changed in the early 2000s - full city control of budget.
- System faced significant capital needs - $39M debt issued in December 2007.
- CIP fee was adopted in FY07 to fund this debt and ongoing capital needs.

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Water Resources Capital (CIP) Fee

- Like many large water utilities in the state, Asheville charged a capital improvement fee to customers.
- In 2018, the NC Supreme Court issued an opinion in *Quality Built Homes Inc. v. Town of Carthage*.
  - Court determined that cities were not permitted to charge water and sewer “impact fees.”
- Thereafter, law firms began filing lawsuits against cities in NC that had charged these fees in recent years.

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Water Resources Capital (CIP) Fee

Asheville was named in two class action lawsuits based upon its capital fee.

- These lawsuits were settled without any admission of liability by the City, and the settlement included an agreement to discontinue the capital fee.
- Lost capital fee revenue totaled $7.5M in FY21.
- Began working with financial and rate consultants to develop a plan to begin recovering capital revenue.

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Water Proposed Rate Realignment

- Begin to recover lost revenue through a combination of adjustments to the base fee and the volumetric rate.
- Base fee based on meter size - larger meters pay higher fee.
- Volumetric rates increased approximately 6% for all customer classes except wholesale.
- Will generate approximately $3.5M in revenue in FY 2021-22.

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Water Users by Customer Class

Class	Connections	% of Total
Residential	53,277	90.29%
Commercial	5,040	8.54%
Irrigation	671	1.14%
Manufacturing	10	0.02%
Wholesale	7	0.01%

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Water Fee Rate Adjustment History

- Staff began increasing non-single family rates at a higher percentage in FY12 to more equitably reflect cost of service.
- Most recent increases in FY20:

Single family, manufacturer, small commercial	2.0%
Irrigation	5.0%
Multi-family residential	4.0%
Large commercial	5.0%
CIP fee	2.0%

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Water Fees Compared to Other Cities

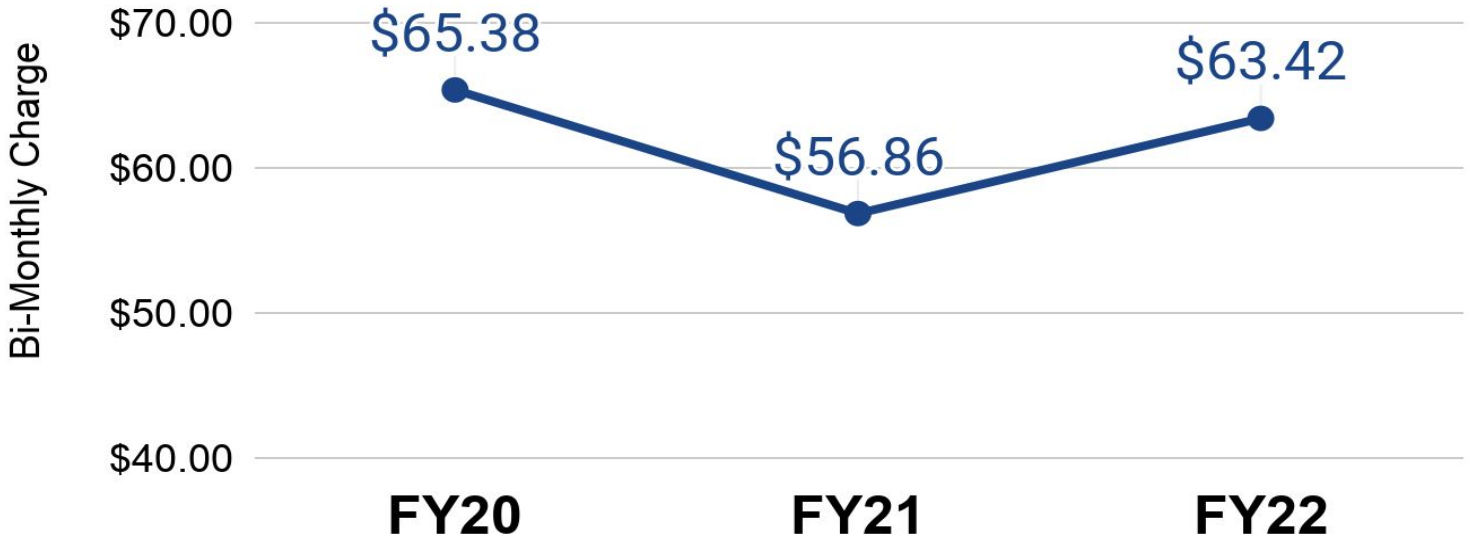
- Proposed water rates are slightly below average compared to other utilities in the State surveyed with a median household income of between $45,000 and $50,000.
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**Statistics provided via UNC School of Government Environmental Finance Center*

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Single Family Residential User Impact

Proposed FY22 rate is $1.96 lower than FY20 rate



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Water Rate Realignment Summary

- Meets legal requirements.
- Minimizes burden on customers by spreading revenue recovery over time.
- Staff will work with consultants from Raftelis to refine rate realignment recommendations for future years to meet operating and capital needs and rating agency debt coverage ratios.

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Other Fee Changes

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Recommended for Adoption (New)

Fee Name/Type	New Amount
Historic District Subdivision Review	$ 260
Design Review Areas	
Major Works Review	$1,500
Minor Works Review	$ 50
Sidewalk Fee-in-Lieu	
Sidewalk or retaining wall (per square foot)	$50 - $75
Railing or curb and gutter (per linear foot)	$30 - $50
ADA curb ramp (each)	$3,000 - $5,000

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Recommended for Adoption (Change)

Fee Name/Type	Increase
Transit Advertising	
Interior Signs (monthly)	$ 7.00
Interior Ceiling Signs (monthly)	$ 33.00
WNC Nature Center admission	$ 2.00

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Recommended for Adoption (Other)

- Fire Safety Inspections restructured to
  - Better align fees with the time required to complete the inspection.
  - Simplify the fee structure for greater clarity.
- Outdoor Special Event Fee Discounts
  - Incorporate 75% fee discount for nonprofits into fee manual.

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Recommended for Adoption (Parking)

- Parking Garage Hourly Rate to $2.00
  - Adjusted recommendation to include first hour free for all parkers per Finance Committee.
- New options for 12-hour, overnight and weekend monthly parking.
- Encourage shorter-term use of on-street spaces and longer-term use of garages.
- Provide additional resources for capital maintenance in parking garages.

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Recommended for Midyear Review

Increases to solid waste and stormwater fees are not recommended for adoption, but are recommended for review during the next fiscal year.

- Limit impact of fee increases on community recovering from pandemic.
- Significant resources required to address existing service delivery needs.
- Review to provide focused conversation on how to achieve goals and address long-term needs.

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Summary of Fee Changes

- Water rate realignment begins to recover loss of capital fee while keeping rates below FY20 amounts.
- Minor adjustments to other fees help to offset cost of services, including some improvements.
- Midyear review of sanitation and stormwater fees reduces impact of fee increases while still providing opportunity to discuss needs.

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