



WATER MANAGEMENT

CITY OF DURHAM

Water & Sewer Fund and CIP

Proposed FY 2023 Rates | May 5, 2022

Utility Overview

- Operate & maintain 2 water reservoirs and pump stations
- Operate & maintain 2 water treatment facilities
- Operate & maintain 2 water reclamation facilities
- Maintain over 1,442 miles of water lines
- Maintain over 1,100 miles of sewer lines
- Maintain 6 water storage tanks, 3 booster pumps, 3 pressure zones
- Maintain 63 lift stations
- Serve more than 309,000 people
- Manage just over 99,000 accounts



Outline

- Rate Objectives, Strategies & Key Issues
- Capital Improvement Program
- Customer Consumption
- Proposed Rates



Rate Setting Objectives

- **Affordability**
 - Fairness and Equity
- **Sustainability**
 - Address increasing operating costs
 - Fund long-term capital needs
- **Water Efficiency/Conservation**
 - Continue tiered rate approach to promote conservation
 - Cost-Based

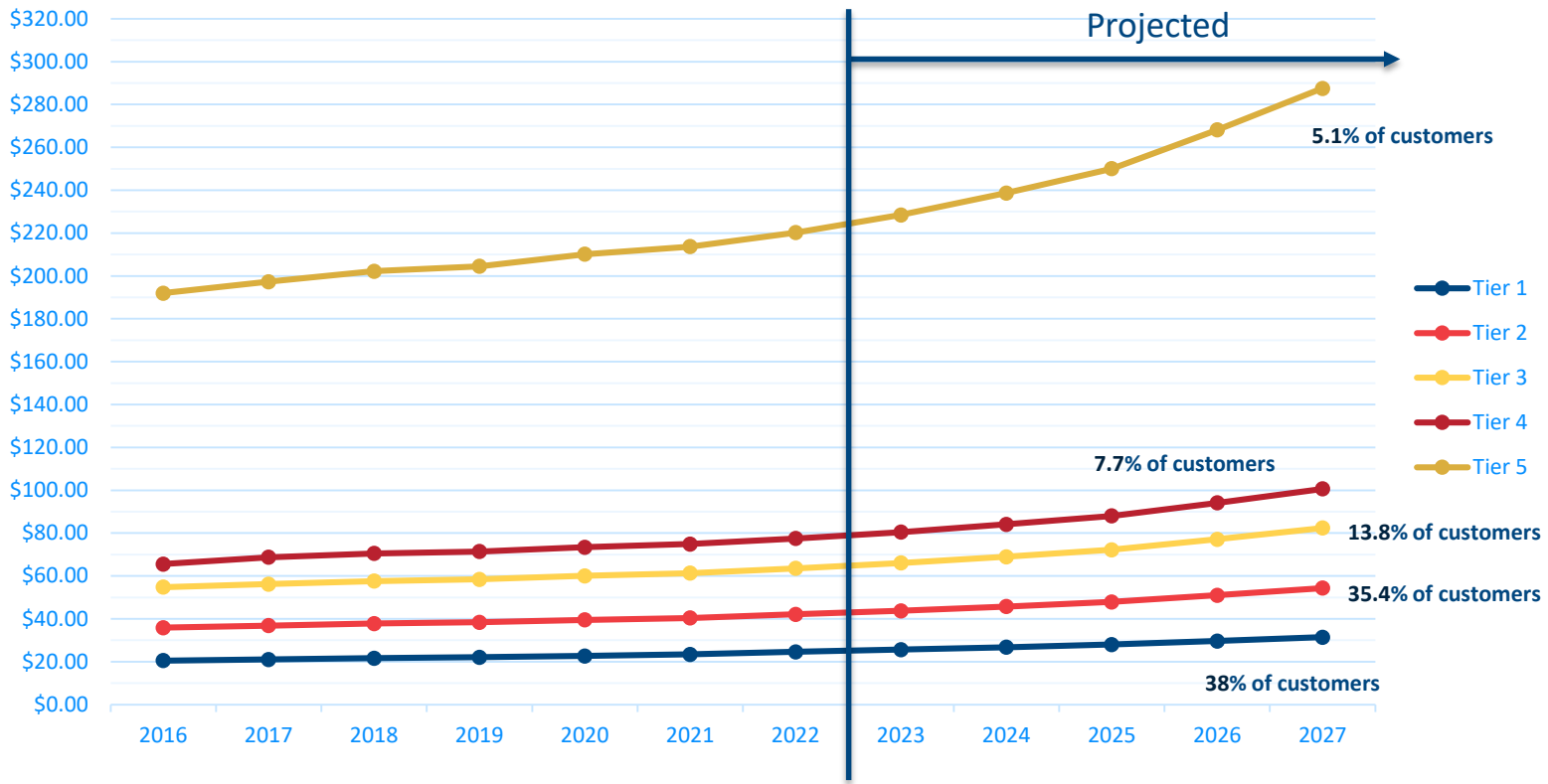


Affordability

- Tiered rates empower customers to manage their costs
- Use long term financial model which minimizes impacts to customer in lower tiers
- Implement programs to assist low and fixed income customers



Historical & Projected Average Single Family Residence Monthly Cost per Tier



Affordability - Payment Arrangements

- Assists customers experiencing economic hardship to spread out payments for water and sewer bills over time
- Allows for flexibility in payment dates for customers on a fixed income

Affordability - Hardship Fund

- Customers who qualify can receive up to \$240 annually to help pay their outstanding bill
- Customers are eligible for one time assistance or monthly assistance up to \$20 per month
- Treats customers and rate payers equitably, as it is funded through the general fund at \$150,000 annually
- Helps minimize the number of customer cut-offs or number of days until service is reconnected
- Creates a “clean slate” for the customers’ water and sewer bills going forward
- Staff also provides a list of community organizations that offer financial assistance
- Partnership with Access H2O provides additional assistance for larger bills

Water Hardship Fund

FY 2022 Allocation: \$150,000

Issued YTD as of March 31, 2022: \$81,906.35

Additional Expenditure Projection through Year End: \$30,000

- Some low income customers are receiving funding from the LIWAP program
- Assumes that we will continue to cut-off at 21 days giving customers an extra month to pay vs. normal cut-off at 20 days which includes the current bill



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Multi-Year Rate Strategy/Key Issues

- Continue to have small annual sustainable rate increases that minimize impacts to lower tiered customers
- Cover increasing operating, CIP and regulatory costs
- Build infrastructure to access our Jordan Lake Allocation to meet future demand
- Structure future borrowing to smooth impact of rate increases
- Continue to manage debt to the benefit of rate payers, not to maintain high bond ratings



Capital Improvement Program



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Proposed Capital Funding Appropriations

(in \$Million)

	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Water Projects	48.4	87.5	50.0	69.4	26.5	281.9
Sewer Projects	49.5	115.3	87.4	109.6	122.5	484.2
CIP Funding Required	97.9	202.8	137.4	179.0	149.0	766.1



CIP – Projected 5-Year Appropriations

Project	FY 23-27 (Mil \$)
Dams & Reservoirs	\$77.4
Water Treatment Facilities	\$73.2
Water Reclamation Facilities	\$205.9
Water Distribution System	\$129.9
Sewer Collection System (includes SRLS)	\$276.8
DWM Facility Expansion & Paving	\$2.9
Total	\$766.1



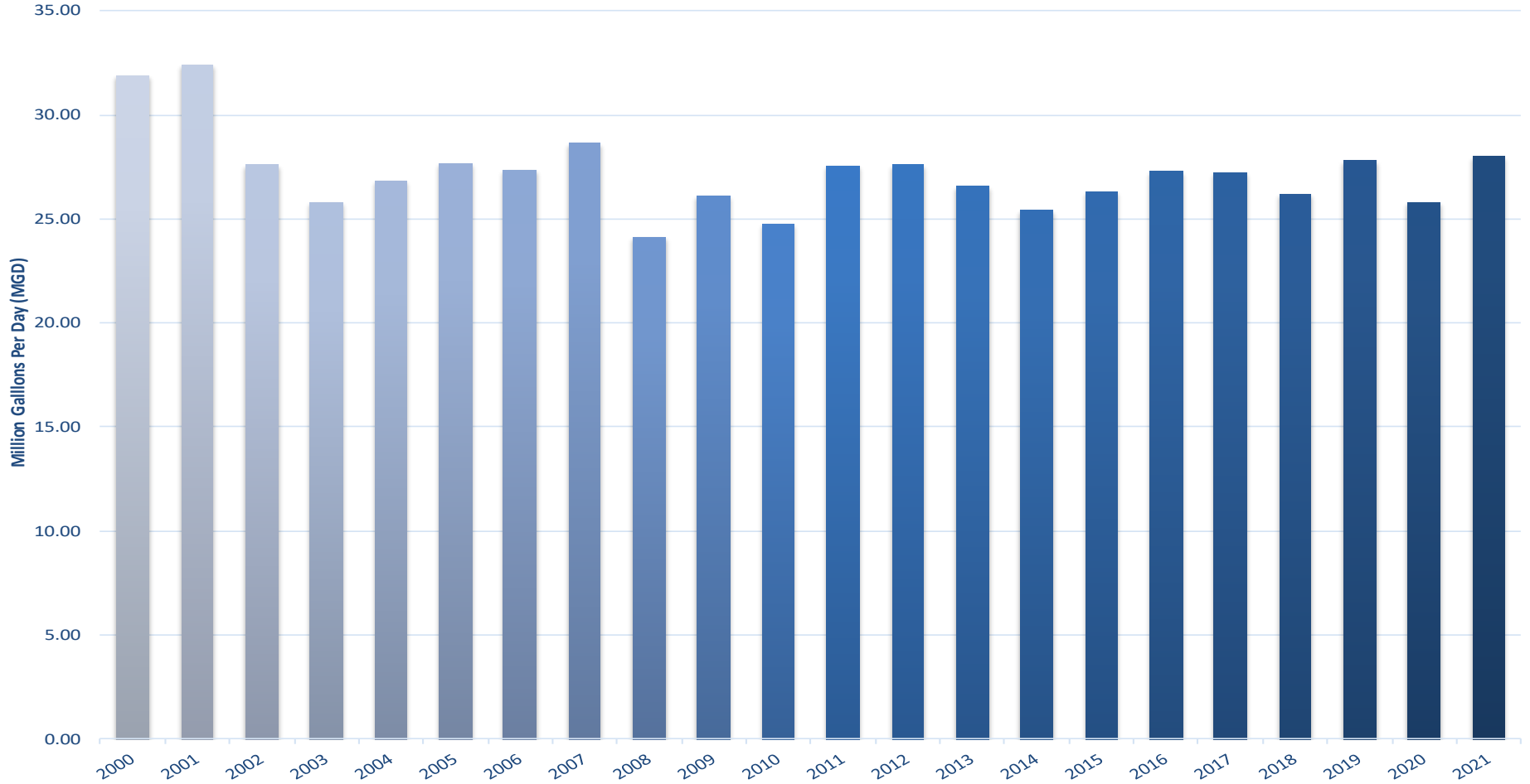
Water Usage/Consumption



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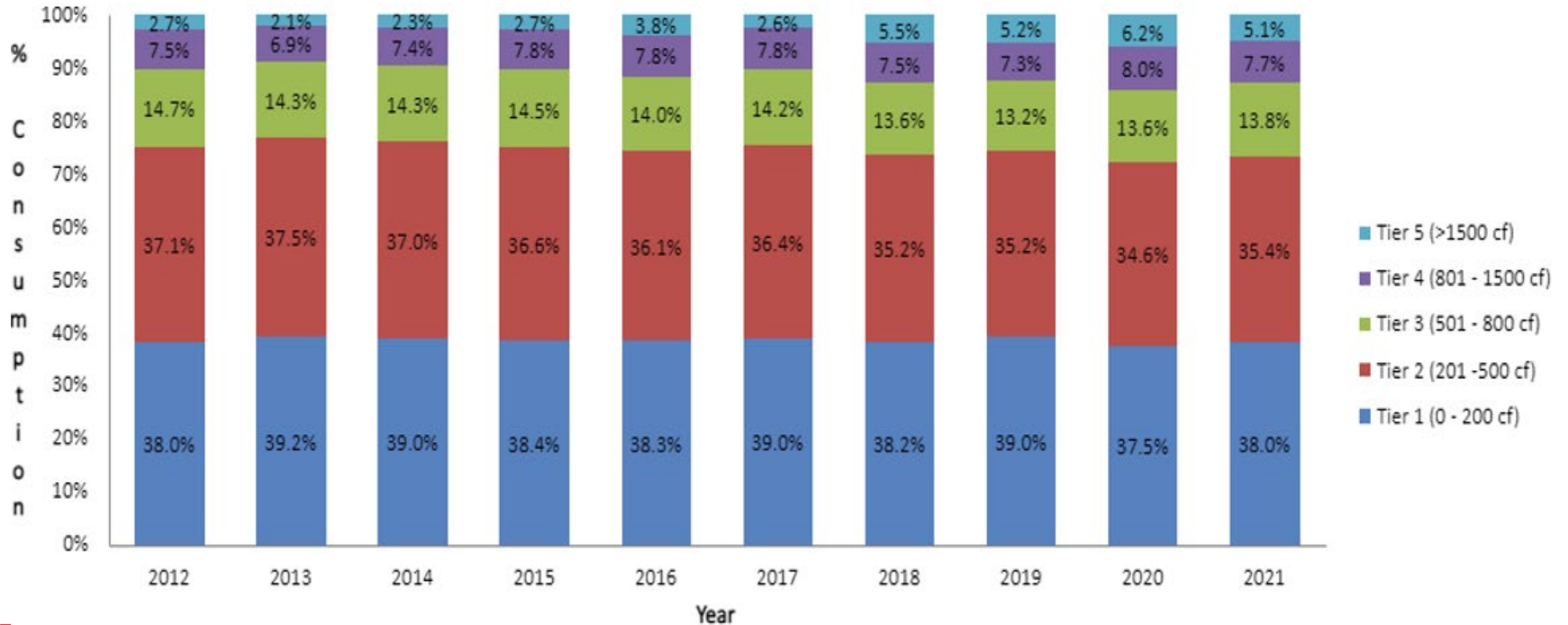
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Average Daily Consumption 2000 - 2021



Percent of SFR Consumption by Tiers

% SFR Consumption



FY 2023 Water & Sewer Rates



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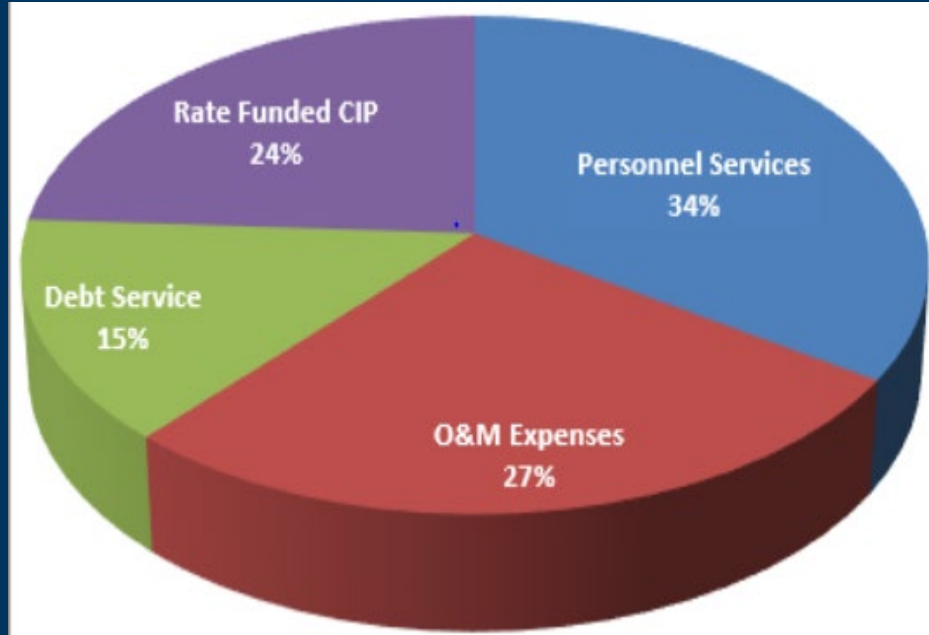
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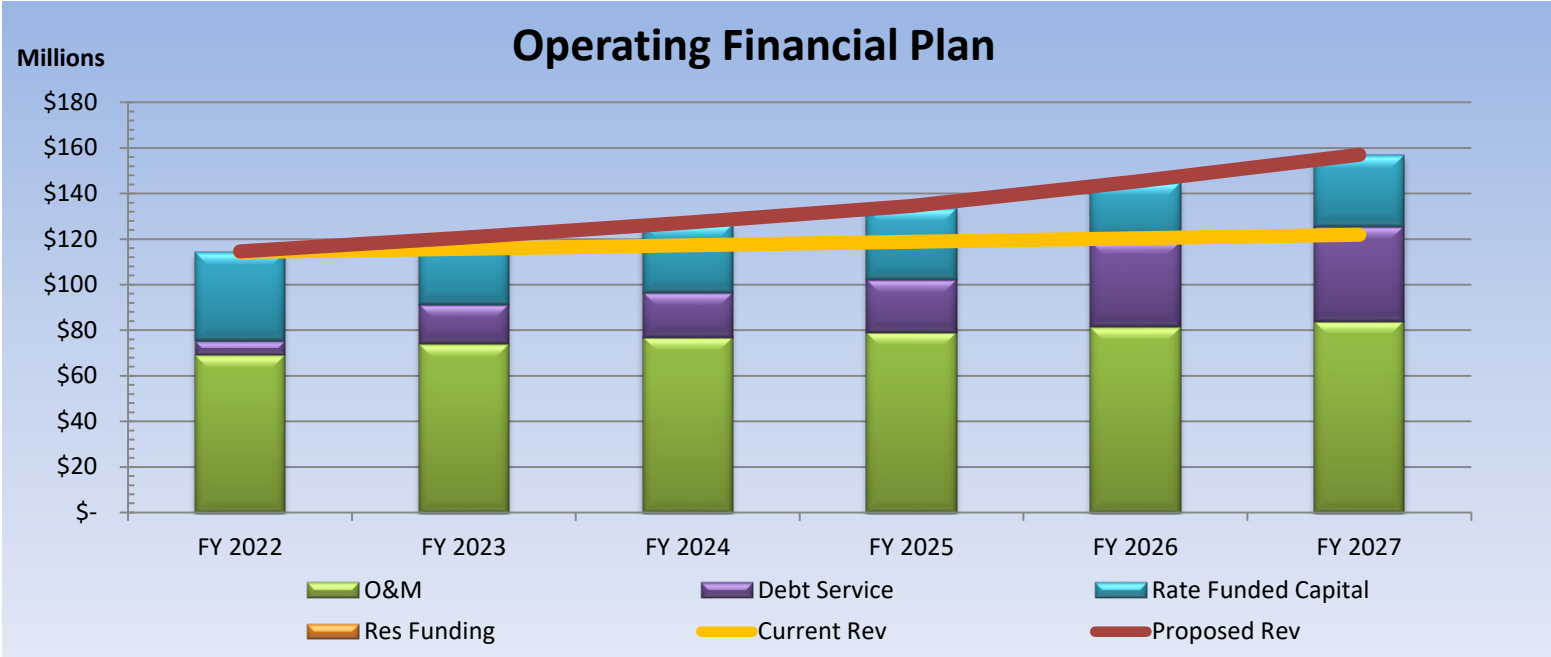
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Major FY 23 Budget Components



Projection of Water & Sewer Revenue Requirements



Proposed FY 23 Water & Sewer Rates

- Modest increase in service and consumption charges (all tiers)
- Continue penny per tier increase for watershed protection
- Based on usage, customers will see different percentage increases in actual bills
- As SFR customers use more water, usage moves into higher tiers and they will be billed at the higher rates:
 - Targets elective water uses
 - Minimizes impact to water efficient customers
- Continue to bill Commercial, Multi-Family Residential, Industrial and Institutional customers at Tier 3 rate and Irrigation-only at Tier 5
- Outside double rates continue
- Differential sewer charges continue for customers served by County wastewater plant



Proposed FY 23 Rates

- Covers:
 - Operating Budget
 - Pay for Performance
 - Pay-Go CIP Funding
 - Debt
 - Fleet Replacement Fund
 - General Fund Transfer
- Maintains necessary debt covenants
- Maintains adequate operating reserves

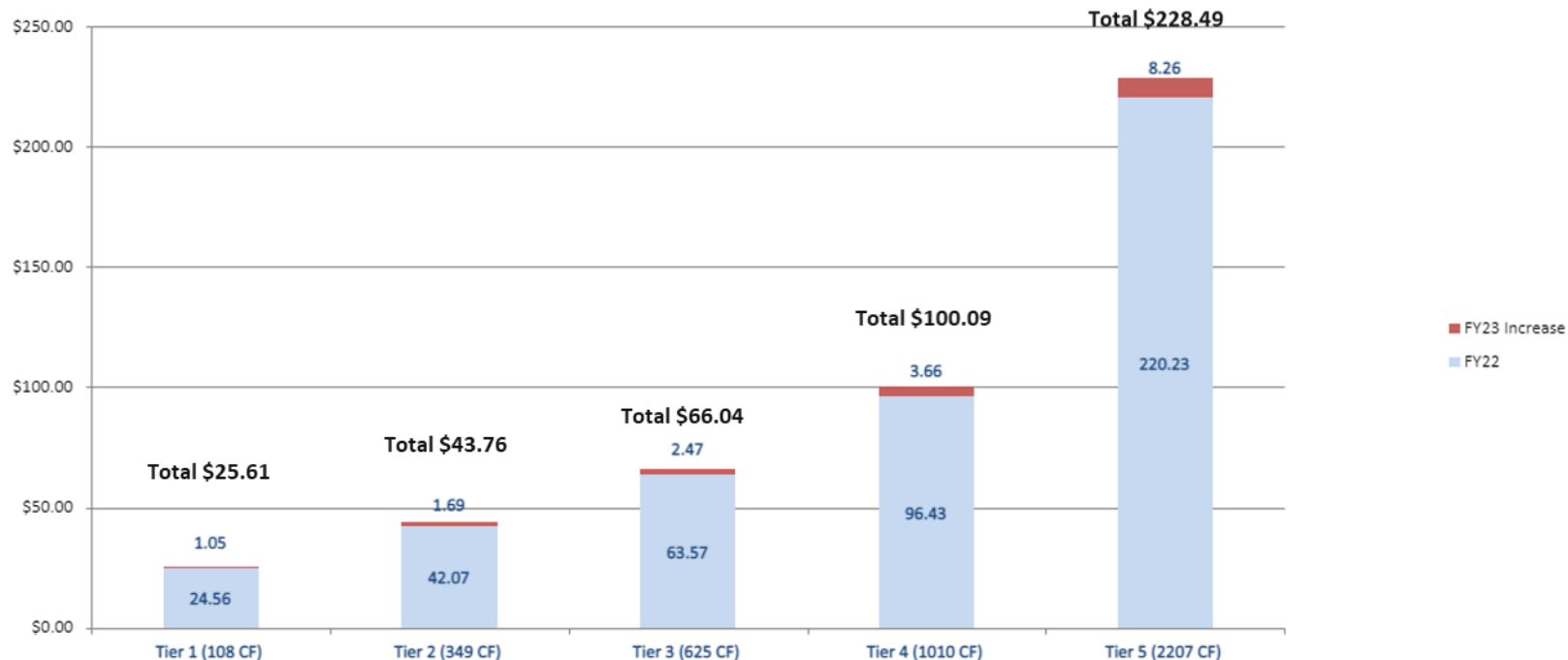


Proposed FY 23 SFR Monthly Rates

	FY 22 Rates	Increase	Proposed FY23 Rates
Monthly Water Rates			
Service Charge	\$ 8.28	\$.42	\$ 8.66
Volume Charge - Tiered Rates (per 100 cubic foot - ccf)			
Tier 1 (0 - 2 ccf)	\$ 2.09	\$.08	\$ 2.17
Tier 2 (>2 - 5 ccf)	\$ 3.15	\$.12	\$ 3.27
Tier 3 (>5 - 8 ccf)	\$ 3.45	\$.13	\$ 3.58
Tier 4 (>8 - 15 ccf)	\$ 4.51	\$.17	\$ 4.68
Tier 5 (>15 ccf)	\$ 6.75	\$.26	\$ 7.01
Monthly Sewer Rates			
Service Charge	\$ 9.15	\$.41	\$ 9.56
Volume Charge (per ccf)	\$ 4.51	\$.16	\$ 4.67



Comparison of Monthly Average SFR Inside Bill FY 22 vs. FY 23



Price Comparison



One gallon of Durham's tap water costs approximately \$0.0048 per gallon, based on Tier 3 rates.



Tier 1
\$1.04/month
increase =



One
20oz. bottled water

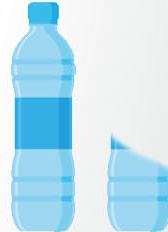
OR



2/3 tall coffee

\$12.48 annually
38% of
SFR customers

Tier 2
\$1.69/month
increase =



One and 1/3
20oz. bottled waters

OR



1 tall coffee

\$20.28 annually
35.4% of
SFR customers

Tier 3
\$2.47/month
increase =



Two
20oz. bottled waters

OR



2 original glazed

\$29.64 annually
13.8% of
SFR customers

Tier 4
\$3.66/month
increase =



Three
20oz. bottled waters

OR



Three original glazed

\$43.92 annually
7.7% of
SFR customers

Tier 5
\$8.25/month
increase =



One case of
20oz. bottled waters

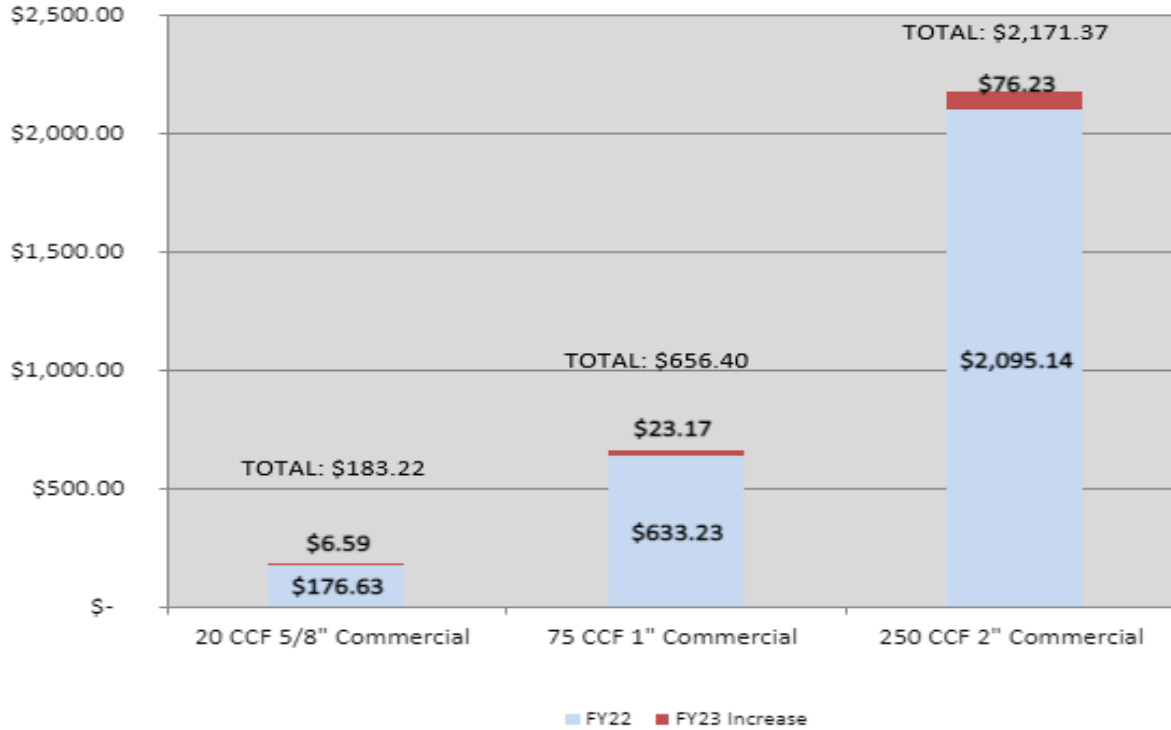
OR



Seven original glazed

\$99 annually
5.1% of
SFR customers

Comparison of Monthly Commercial Inside Bill FY 22 vs. FY 23



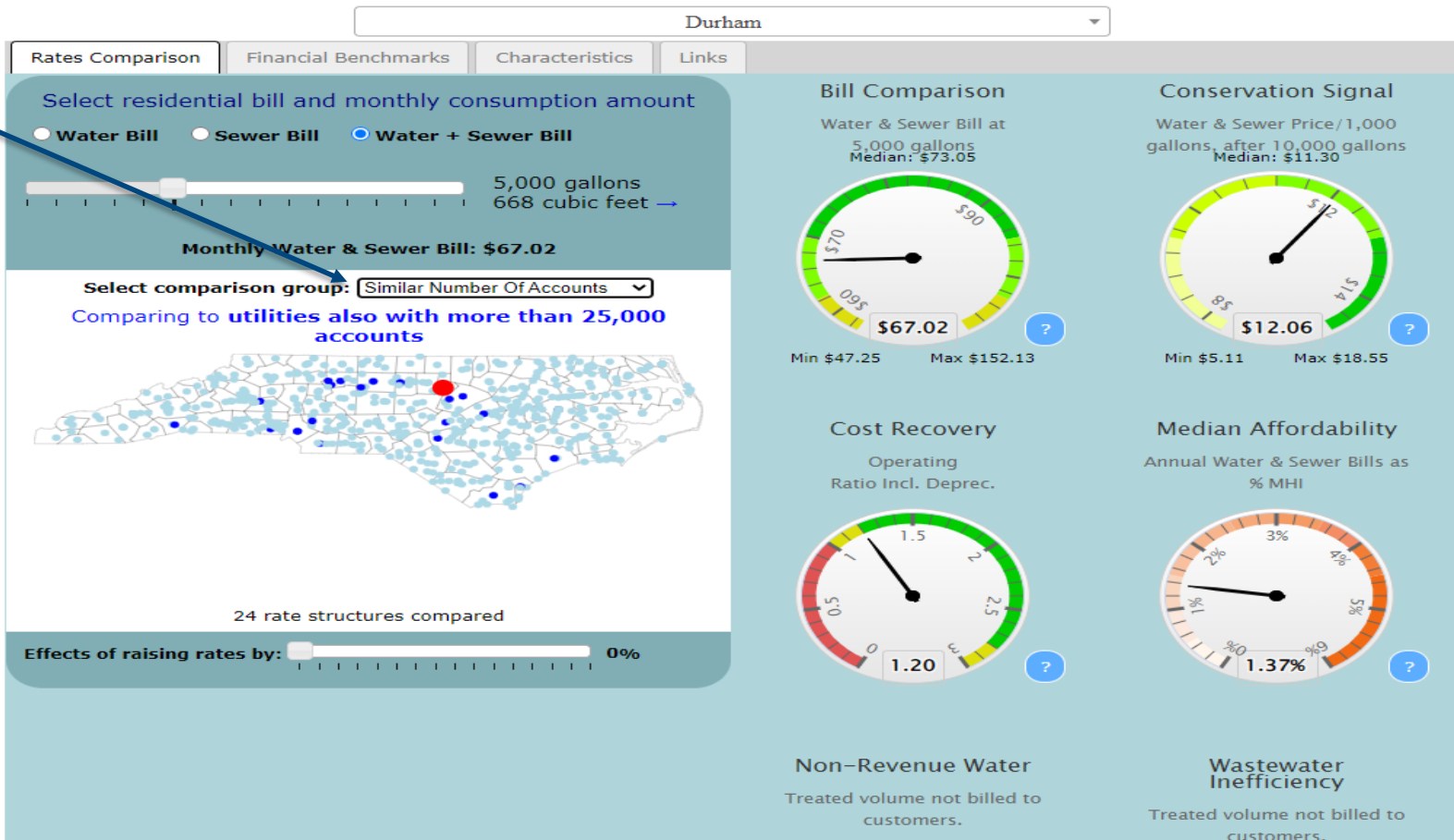
Proposed Average Rate Increases for next 5 years

	FY 23	FY 24	FY 25	FY 26	FY 27
<u>Proposed Rate Increase</u>	<u>3.9%</u>	<u>4.5%</u>	<u>4.7%</u>	<u>6.8%</u>	<u>6.8%</u>

- FY 23 rates include overall 4.1% increase in water and 3.8% sewer
- Future increases are needed to support infrastructure renewal/replacement programs & development/growth related projects
- Includes impacts from the Jordan Lake Project

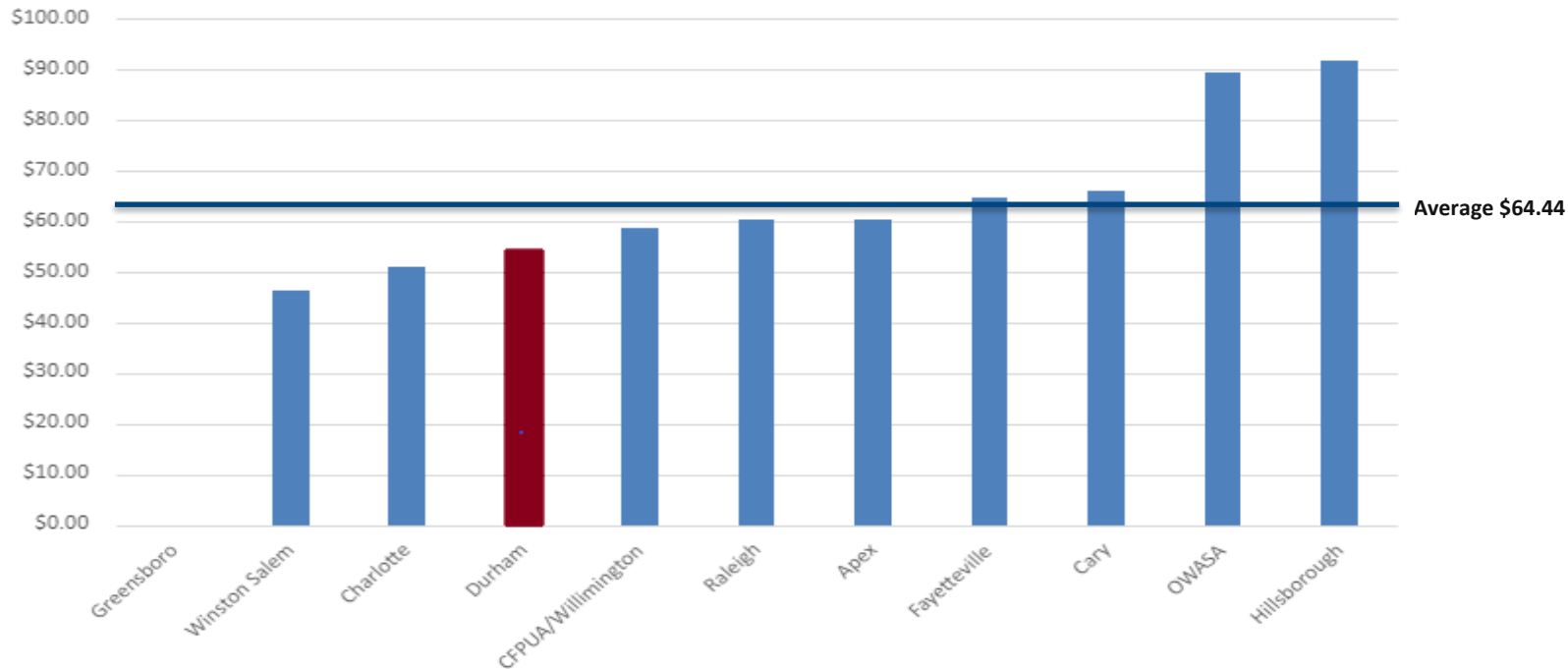
Other selections:

- Similar Customer Income
- Same Water Source Type
- Similar Revenue Generation
- Using Same Rate Structure



Monthly Cost for 4000 gallons Water & Sewer Comparison

Average Bill Amounts



Questions

