

**CITY OF CHARLOTTE**  
**DEPARTMENT OF FINANCE & TREASURY**  
**INTEROFFICE MEMORANDUM**

**TO:** MAYOR BURCH, CITY COUNCIL, AND CITY MANAGER GUETSCHOW  
**FROM:** CHRISTINE K. MOSSNER, FINANCE DIRECTOR  
**SUBJECT:** UTILITY RATE INCREASE RECOMMENDATION  
**DATE:** APRIL 24, 2015

As part of the budget process, the finance & treasury department undertook an evaluation of the City's utility rates. The following objectives served as a foundation of our evaluation and guided our decisions regarding the proposed utility rates.

- ❖ Rates should generate sufficient revenues to cover operating costs, debt service obligations, and capital program needs, as well as maintain adequate reserves consistent with sound financial management.
- ❖ Rates should reflect the cost of providing services to the customers
- ❖ Rates should be fair and equitable

Based on these objectives, we recommend the following utility rates effective July 1, 2015.

<b>Current Water Rates</b>			<b>Proposed Water Rates</b>		
<b>Meter Size</b>	<b>Quarterly Base Charge</b>	<b>Rate per 1,000 gal.</b>	<b>Meter Size</b>	<b>Quarterly Base Charge</b>	<b>Rate per 1,000 gal.</b>
5/8 x 3/4	\$ 41.00	\$ 2.50	5/8 x 3/4	\$ 41.00	\$ 2.75
1"	70.00	2.50	1"	70.00	2.75
1.5"	140.00	2.50	1.5"	140.00	2.75
2"	220.00	2.50	2"	220.00	2.75
3"	410.00	2.50	3"	410.00	2.75
4"	640.00	2.50	4"	640.00	2.75
6"	1,370.00	2.50	6"	1,370.00	2.75

  

<b>Current Sewer Rates</b>			<b>Proposed Sewer Rates</b>		
<b>Meter Size</b>	<b>Quarterly Base Charge</b>	<b>Rate per 1,000 gal.</b>	<b>Meter Size</b>	<b>Quarterly Base Charge</b>	<b>Rate per 1,000 gal.</b>
5/8 x 3/4	\$ 59.00	\$ 3.82	5/8 x 3/4	\$ 62.00	\$ 4.50
1"	90.00	3.82	1"	99.00	4.50
1.5"	190.00	3.82	1.5"	205.00	4.50
2"	310.00	3.82	2"	329.00	4.50
3"	590.00	3.82	3"	620.00	4.50
4"	910.00	3.82	4"	961.00	4.50
6"	1,960.00	3.82	6"	2,065.00	4.50

The following table sets forth the average resident's bill over the past 10 years. Under the proposed rates, this same resident will see their quarterly bill increase \$12.30, as highlighted below.

	Quarterly Usage (gallons)	Rate per 1,000 gal.	Base Charge	Quarterly Bill	Quarterly Increases
7/1/2004 Water Rate	10,000	\$ 1.30	\$ 24.00	\$ 37.00	
10/1/2009 Water Rate	10,000	\$ 1.42	\$ 26.50	\$ 40.70	\$ 3.70
7/1/2010 Water Rate	10,000	\$ 2.08	\$ 36.40	\$ 57.20	\$ 16.50
7/1/2012 Current Water Rate	10,000	\$ 2.50	\$ 41.00	\$ 66.00	\$ 8.80
<b>Proposed Water Rate</b>	<b>10,000</b>	<b>\$ 2.75</b>	<b>\$ 41.00</b>	<b>\$ 68.50</b>	<b>\$ 2.50</b>
7/1/2004 Sewer Rate	10,000	\$ 3.10	\$ 53.00	\$ 84.00	
10/1/2009 Sewer Rate	10,000	\$ 3.25	\$ 61.00	\$ 93.50	\$ 9.50
7/1/2010 Sewer Rate	10,000	\$ 3.94	\$ 65.45	\$ 104.85	\$ 11.35
7/1/2012 Current Water Rate	10,000	\$ 3.82	\$ 59.00	\$ 97.20	\$ (7.65)
<b>Proposed Sewer Rate</b>	<b>10,000</b>	<b>\$ 4.50</b>	<b>\$ 62.00</b>	<b>\$ 107.00</b>	<b>\$ 9.80</b>
7/1/2004 Combined Rate	10,000	\$ 4.40	\$ 77.00	\$ 121.00	
10/1/2009 Combined Rate	10,000	\$ 4.67	\$ 87.50	\$ 134.20	\$ 13.20
7/1/2010 Combined Rate	10,000	\$ 6.02	\$ 101.85	\$ 162.05	\$ 27.85
7/1/2012 Current Water Rate	10,000	\$ 6.32	\$ 100.00	\$ 163.20	\$ 1.15
<b>Proposed combined Rate</b>	<b>10,000</b>	<b>\$ 7.25</b>	<b>\$ 103.00</b>	<b>\$ 175.50</b>	<b>\$ 12.30</b>

The total annual revenue requirement is the amount of revenue that should be generated by utility rates in order to cover costs associated with operation and maintenance costs, debt service obligations or depreciation expense, and capital program needs of the utility. These costs, as proposed in the FY 15/16 budget, for both the water and sewer system are set forth on the following attachments.

**WATER RATE REVENUE & EXPENSE SUMMARY**

<b>LABOR &amp; BENEFITS</b>		<b>% of Total</b>
Admin Salaries	\$ 73,680	4.18%
Staff Wages	\$ 11,390	0.65%
DPW Labor	\$ 166,900	9.46%
Comp Abs	\$ 29,700	1.68%
Longevity	\$ 5,000	0.28%
Unused Sick & Vacation Leave	\$ 3,230	0.18%
Health Reimbursement	\$ 3,300	0.19%
Auto Allowance	\$ 610	0.03%
Clothing Allowance	\$ 3,080	0.17%
FICA	\$ 22,100	1.25%
ICMA-City Share	\$ 9,740	0.55%
Vision Care	\$ 1,480	0.08%
Life, Work Comp, Unemployment	\$ 12,000	0.68%
Dental & Health Benefits	\$ 52,750	2.99%
Retirement Plans	\$ 54,980	3.12%
Retirement Health Savings	\$ 2,700	
<b>SUB TOTAL LABOR &amp; BENEFITS</b>	<b>\$ 452,640</b>	
Cost of Inflation Increase	3.00%	
<b>TOTAL LABOR &amp; BENEFITS</b>	<b>\$ 466,220</b>	<b>26.42%</b>
<b>OPERATIONAL EXPENSES / VARIABLE</b>		
Materials & Supplies	\$ 109,150	6.19%
Postage	\$ 2,000	0.11%
Dues & Subscriptions	\$ 1,000	0.06%
Printing & Publishing	\$ 1,000	0.06%
Operating Supplies	\$ 27,000	1.53%
Laboratory Supplies	\$ 1,700	0.10%
Telephone & Pagers	\$ 1,400	0.08%
Utilities	\$ 79,000	4.48%
Professional Services	\$ 10,000	0.57%
Insurance & Bonds	\$ 7,500	0.43%
Conference & Training	\$ 4,800	0.27%
Contractual Services	\$ 27,300	1.55%
Hydrant Rental	\$ 21,000	1.19%
Capital Outlay - Computer Equipment	\$ -	0.00%
Sundry	\$ 250	0.01%
MVP Equipment Rental	\$ 82,750	4.69%
Operating Transfers	\$ 197,500	11.19%
Capital Outlay	\$ 451,000	25.56%
Depreciation	\$ 145,000	8.22%
Rental Expense	\$ 31,060	
<b>SUBTOTAL OPERATIONAL EXPENSES / VARIABLE</b>	<b>\$ 1,200,410</b>	
CONTINGENCY ALLOWANCE	5.00%	
SUBTOTAL	\$ 1,260,430	
COST OF INFLATION INCREASE	3.00%	
<b>TOTAL OPERATIONAL EXPENSES / VARIABLE</b>	<b>\$ 1,298,240</b>	<b>73.58%</b>
<b>TOTAL WATER EXPENDITURES</b>	<b>\$ 1,764,460 *</b>	<b>100.00%</b>
WATER RATE REVENUE	\$ 1,442,360	
NON-RATE REVENUE	\$ 158,000	
<b>TOTAL WATER REVENUE</b>	<b>\$ 1,600,360</b>	
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (164,100)</b>	

\*Includes \$111,410 for contingencies & inflationary costs

**SEWER RATE REVENUE & EXPENSE SUMMARY**

<b>LABOR &amp; BENEFITS</b>		<b>% of Total</b>
Admin Salaries	\$ 106,760	4.55%
Staff Wages	\$ 11,390	0.49%
DPW Labor	\$ 197,700	8.43%
Comp Abs	\$ 33,950	1.45%
Part-time Wages	\$ -	0.00%
Longevity	\$ 6,600	0.28%
Unused Sick & Vacation Leave	\$ 4,700	0.20%
Health Reimbursement	\$ 3,150	0.13%
Auto Allowance	\$ 610	0.03%
Clothing Allowance	\$ 3,520	0.15%
FICA	\$ 28,260	1.21%
ICMA-City Share	\$ 10,280	0.44%
Vision Care	\$ 2,100	0.09%
Life, Work Comp, Unemployment	\$ 12,800	0.55%
Dental & Health Benefits	\$ 80,000	3.41%
Retirement Plans	\$ 70,860	3.02%
Retirement Health Savings	\$ 3,330	0.14%
<b>SUB TOTAL LABOR &amp; BENEFITS</b>		<b>\$ 576,010</b>
Cost of Inflation Increase	3.00%	
<b>TOTAL LABOR &amp; BENEFITS</b>		<b>\$ 593,300 25.31%</b>
<b>OPERATIONAL EXPENSES / VARIABLE</b>		
Materials & Supplies	\$ 68,650	2.93%
Postage	\$ 4,000	0.17%
Dues & Subscriptions	\$ 800	0.03%
Printing & Publishing	\$ 100	0.00%
Operating Supplies	\$ 46,000	1.96%
Laboratory Supplies	\$ 13,000	0.55%
Telephone & Pagers	\$ 3,200	0.14%
Utilities	\$ 156,750	6.69%
Professional Services	\$ 31,000	1.32%
Insurance & Bonds	\$ 17,000	0.73%
Conference & Training	\$ 5,000	0.21%
Contractual Services	\$ 83,100	3.54%
Hydrant Rental	\$ 21,000	0.90%
Capital Outlay - Computer Equipment	\$ 5,000	0.21%
Sundry	\$ 900	0.04%
MVP Equipment Rental	\$ 74,450	3.18%
Rental Expense	\$ 5,620	0.24%
Operating Transfers	\$ 197,500	8.42%
Capital Outlay	\$ 388,500	16.57%
Depreciation	\$ -	0.00%
<b>SUBTOTAL OPERATIONAL EXPENSES / VARIABLE</b>		<b>\$ 1,121,570</b>
CONTINGENCY ALLOWANCE	5.00%	
SUBTOTAL	\$ 1,177,649	
COST OF INFLATION INCREASE	3.00%	
<b>TOTAL OPERATIONAL EXPENSES / VARIABLE</b>		<b>\$ 1,213,000 51.74%</b>
<b>LOANS / BONDS / INTEREST - ANNUAL PAYMENT</b>		
2015 Refunding Bonds - Principal	\$ 400,000	} 21.72%
2015 Refunding Bonds - Interest	\$ 109,240	
Amortization	\$ 28,720	
<b>TOTAL ANNUAL PAYMENTS</b>		<b>\$ 537,960 22.95%</b>
<b>TOTAL SEWER EXPENDITURES</b>		<b>\$ 2,344,260 100.00%</b>
SEWER RATE REVENUE	\$ 2,195,580	
NON-RATE REVENUE	\$ 47,000	
<b>TOTAL SEWER REVENUE</b>	<b>\$ 2,242,580</b>	
Revenues Over (Under) Expenditures	\$ (101,680)	

\*Includes \$108,720 for contingency & inflationary costs