

Effects on Customers



When will the customers be notified by mail of the rate changes?
Before the public hearing, or after it is too late to get their input?

- The County will publish the Commissioner's agenda containing this item and will further advertise for public comment.
- The record is left open for 10 days to gather public comment. The public will have an opportunity to speak during a subsequent Commissioner meeting.
- Public Hearings are advertised in advance and open to the public to provide an opportunity for public comment.

Detailed explanation of how this change will provide necessary revenue and fairness in the rates for the future.

- Communications are in the early stage of development for the website and social media.
- The Water & Sewer Enterprise Fund covers the operating costs from the fees it charges for the provided services.
- The Commissioners evaluate and approve the Enterprise Fund budget and requests regarding fees for service.

Effects on Customers



Are there any plans to change the meters, and if so, how much will that cost?
How much will that impact the rates?

- As the county gets closer to the automated meter reading process it may require either a meter head and / or entire meter replacement. It is too early in the process to provide a cost and impact to rates. There is an established CIP project for advanced metering and meter replacements that was included in the rate study.

How about any other meter reading software changes, or billing software changes?

- Billing software upgrade is being implemented to replace current legacy billing software, as well as provide detailed bills with additional information for customers, portal access to identify usage with options for setting perimeters and making payments. This project also has an established CIP project with dedicated funding.
- Meter reading software changes and billing software changes are two independent, related capital projects, each with its own budget.

Is there a phase-in plan for a number of years, and if so, how many?

- Phasing-in of new billing software is not an operational option as the Commissioners require the division to bill all customer each calendar quarter.
- The advanced metering project is being evaluated to determine phasing options.
- The rate increase is being phased in over several years initially to normalize the smallest increase over time.

Rate Design Considerations



How long will the rates shown in the presentation be in effect?

Will they end in December 23, March 24?

- The recent presentation was a working session. The Commissioners have not provided instruction on new rates.
- The rates presented will go into effect, if approved by the Commissioners, six months after approval.

How much will the rates go up at that point?

- A rate increase has not been approved by the Commissioners.
- The change of the base rate is the same for either rate design.
- Water is a 9.6% increase for FY24-27 and then a 3% increase in FY28-29.
- Sewer is a 16.8% increase for FY24-27 and then a 3% increase in FY28-29.

How many customers will see their bills go up, and how many will see them go down?

- As consumption is highly personal, it is difficult to determine these numbers.
- While no customers are expected to have their bills go down, under the alternative rate design, some customers will see less of an increase than they would have under the current rate design. For those with 1 EDU, this would be any customers with usage of 55,000 gallons or less per quarter.

Rate Design Considerations



Need to see scenarios for different customer types: Low-medium-high residential, same for commercial users.

User (Percentile)	Quarterly Usage (gallons)	Current Bill	FY 2024 Bill		FY 2024 Bill Increase	
			Current Design	Alternative Design	Current Design	Alternative Design
Small User (10th)						
Water Bill	2,100	\$65.47	\$71.76	\$69.69	\$6.29	\$4.22
Sewer Bill		\$132.30	\$154.53	\$149.90	\$22.23	\$17.60
Combined Bill		\$197.77	\$226.29	\$219.59	\$28.52	\$21.82
Median User (50th)						
Water Bill	9,000	\$85.62	\$93.84	\$88.15	\$8.22	\$2.53
Sewer Bill		\$175.91	\$205.46	\$193.00	\$29.55	\$17.09
Combined Bill		\$261.53	\$299.30	\$281.15	\$37.77	\$19.62
Large User (75th)						
Water Bill	15,600	\$104.89	\$114.96	\$108.44	\$10.07	\$3.55
Sewer Bill		\$217.62	\$254.18	\$240.37	\$36.56	\$22.74
Combined Bill		\$322.51	\$369.14	\$348.81	\$46.63	\$26.29

Rate Design Considerations



What happened to the results of the EDU audit?

Will the commercial customers still pay when their usage changes?

- The EDU audit results, per Commissioners' instructions were set aside.
- The current request is for approval to add language in the resolution to have no more than 1 residential EDU and no residential EDU audits.
- Yes, the current recommendation to the Commissioners is for commercial audits to still be conducted.

How were the tiers determined?

Will they ever change?

Do they only apply to part of the rates?

- The initial tiers were determined by a consultant, using historical consumption information.
- To meet best operating practices, with instructions from the Commissioners, it is very likely the tiers will be reviewed and revised on a regular basis.
- Tiering focus on the consumption side (number of gallons used) of the bill.

Does the current rate model (base based on EDUS + variable based on usage) still exist, and if not, why?

- The current rate model is in place until the Commissioners provide new guidance. Both the current and the alternative rate designs still maintain a model based on EDUs + variable based on usage. With the alternative, the variable based on usage now incorporates 4 variable tiers.

Rate Model



What would the rates have been since 2016 if the rate model had been followed?

Please provide a history of the rates since that date.

Rates - Historical, from the model								Applied Rates*		Difference	
Year	Rates	Water	Sewer	Both	W. Inc. %	S. Inc. %	All Inc. %	Water	Sewer	Water	Sewer
2016	Total Fixed	\$ 55.16	\$ 110.86	\$ 166.02	3.51%	0.00%	1.14%	55.16	110.86	\$ -	\$ -
	Total Variable	\$ 2.63	\$ 5.04	\$ 7.67	22.33%	0.00%	6.68%	2.63	5.04	\$ -	\$ -
2017	Total Fixed	\$ 55.16	\$ 110.86	\$ 166.02	0.00%	0.00%	0.00%	55.16	110.86	\$ -	\$ -
	Total Variable	\$ 2.71	\$ 5.48	\$ 8.19	3.04%	8.73%	6.78%	2.71	5.48	\$ -	\$ -
	BOCC requested to keep fixed/base level.										
2018	Total Fixed	\$ 55.51	\$ 111.35	\$ 166.02	0.63%	0.44%	0.00%	55.51	111.35	\$ -	\$ -
	Total Variable	\$ 2.74	\$ 5.91	\$ 9.13	1.11%	7.85%	11.48%	2.74	5.91	\$ -	\$ -
2019	Total Fixed	\$ 41.70	\$ 127.32	\$ 169.02	-24.88%	14.34%	1.81%	55.51	111.35	\$ 13.81	\$ (15.97)
	Total Variable	\$ 4.18	\$ 7.62	\$ 11.80	52.55%	28.93%	29.24%	2.74	5.91	\$ (1.44)	\$ (1.71)
2020	Total Fixed	\$ 61.45	\$ 130.43	\$ 191.88	10.70%	17.14%	14.99%	55.51	111.35	\$ (5.94)	\$ (19.08)
	Total Variable	\$ 2.60	\$ 5.48	\$ 8.08	-5.11%	-7.28%	-6.59%	2.74	5.91	\$ 0.14	\$ 0.43
2021	Total Fixed	\$ 65.64	\$ 140.29	\$ 205.93	18.25%	25.99%	24.04%	59.34	119.03	\$ (6.30)	\$ (21.26)
	Total Variable	\$ 2.02	\$ 5.88	\$ 7.90	-26.28%	-0.51%	-13.47%	2.92	6.32	\$ 0.90	\$ 0.44
Current, as of 8/2023											
2021 Adopted	Total Fixed	\$ 59.34	\$ 119.03	\$ 178.37	6.90%	6.90%	7.44%	59.34	119.03	\$ -	\$ -
	Total Variable	\$ 2.92	\$ 6.32	\$ 9.24	6.57%	6.94%	1.20%	2.92	6.32	\$ -	\$ -
2022 Proposed	Total Fixed	\$ 76.79	\$ 153.12	\$ 229.91	29.41%	28.64%	28.89%	59.34	119.03	\$ (17.45)	\$ (34.09)
	Total Variable	\$ 2.18	\$ 5.21	\$ 7.39	-25.34%	-17.56%	-20.02%	2.92	6.32	\$ 0.74	\$ 1.11
The percentages below reflect 2021 Adopted (current) to FY23 proposed											
2023 Proposed	Total Fixed	\$ 90.85	\$ 163.97	\$ 254.82	53.10%	37.76%	42.86%	59.34	119.03	\$ (31.51)	\$ (44.94)
	Total Variable	\$ 2.92	\$ 8.01	\$ 10.93	0.00%	26.74%	18.29%	2.92	6.32	\$ -	\$ (1.69)
The percentages below reflect 2021 Adopted (current) to FY24 proposed											
2024 Proposed	Total Fixed	\$ 90.36	\$ 130.28	\$ 220.64	52.28%	9.45%	23.70%	59.34	119.03	\$ (31.02)	\$ (11.25)
	Total Variable	\$ 2.92	\$ 10.79	\$ 13.71	0.00%	70.73%	48.38%	2.92	6.32	\$ -	\$ (4.47)
								*Sourced from a F&B document			
								*Effective date 1/1/yyyy			
Negative amounts tell us current rates are insufficient to cover operating costs.											

Rate Model



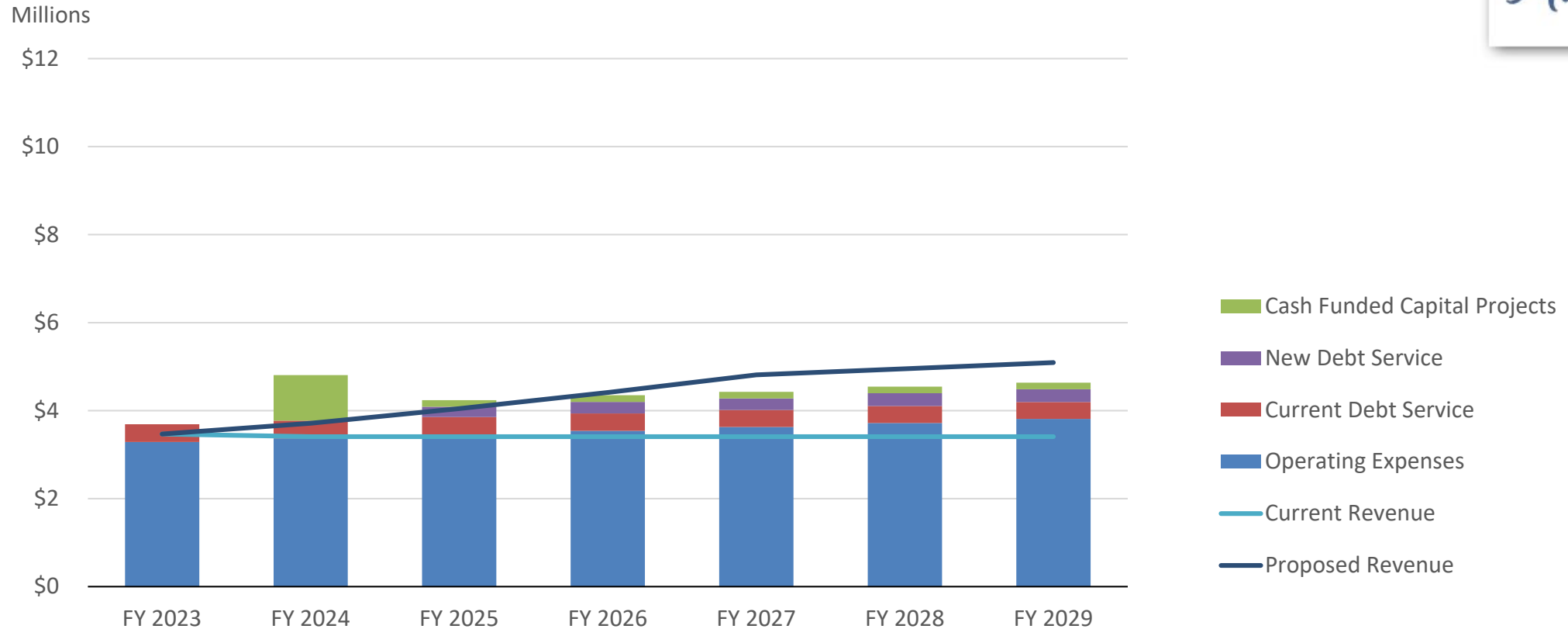
What happens to the flat rated systems like Twin Beach?
How will their rates be adjusted?

- Fixed rate (unmetered sewer) customer bills will still be calculated based on 10,000 gallons per quarter but will result in a different total amount depending on whether the current or alternative rate design is selected.

Customers should see the W&S financial results for the last five years to understand the fiscal issues, and a forecast going forward for the next five years to see how they will be remedied.

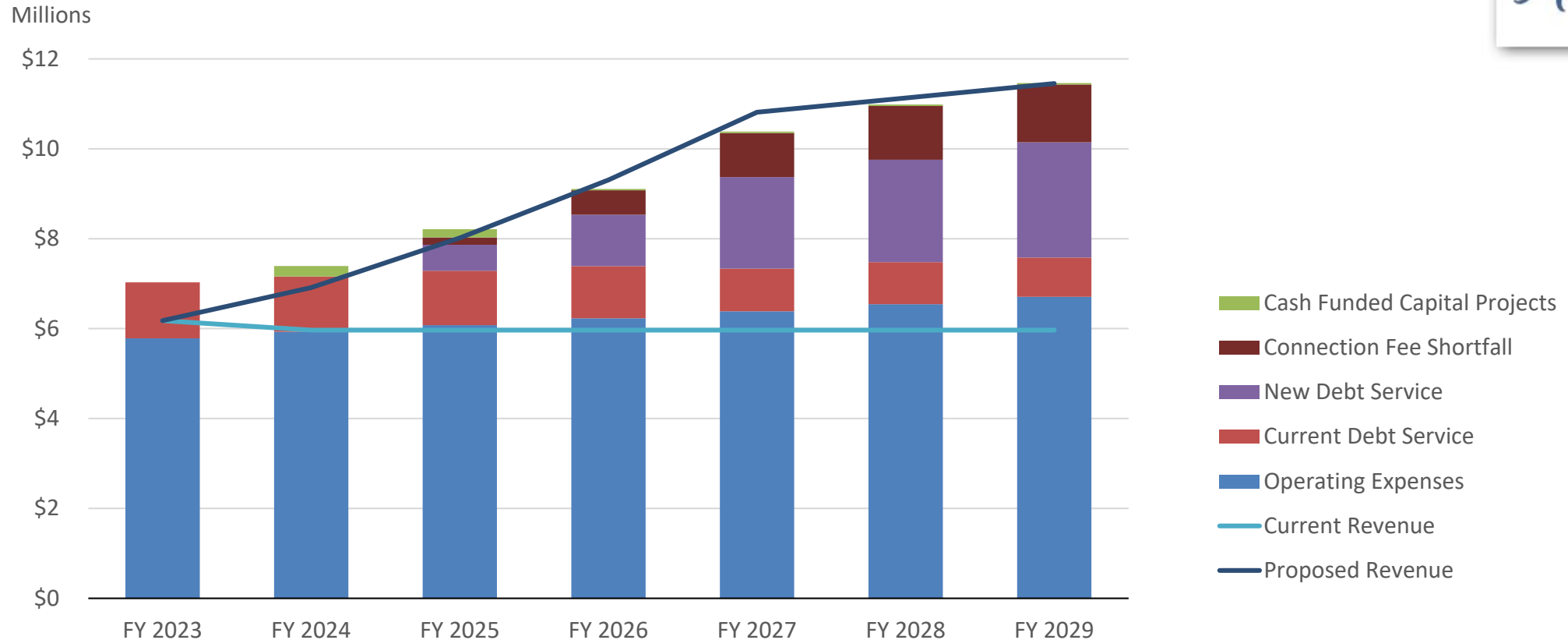
- Customers can find this information in the annual Comprehensive Financial Reports, on the county's web site, at <https://www.calvertcountymd.gov/355/Annual-Comprehensive-Financial-Report-AC>
- A forecast of capital outlay for the next 5 years is in development for planning purposes.

Revenue Requirements vs. Current and Proposed Revenue – Water



Proposed Revenue reflects a 9.6% increase in revenue from FY 2024 through FY 2027 and a 3% increase in FY 2028 and FY 2029

Revenue Requirements vs. Current and Proposed Revenue – Sewer



Proposed Revenue reflects a 16.8% increase in revenue from FY 2024 through FY 2027 and a 3% increase in FY 2028 and FY 2029

Fiscal Effect



What effects will be felt by the customers as the county's borrowing rates go up for bond-funded projects?
Will the debt service still be part of the base rates?

- Should borrowing rates go up, Debt Service costs will likewise rise.
- The rate model takes in to account the Debt Service.

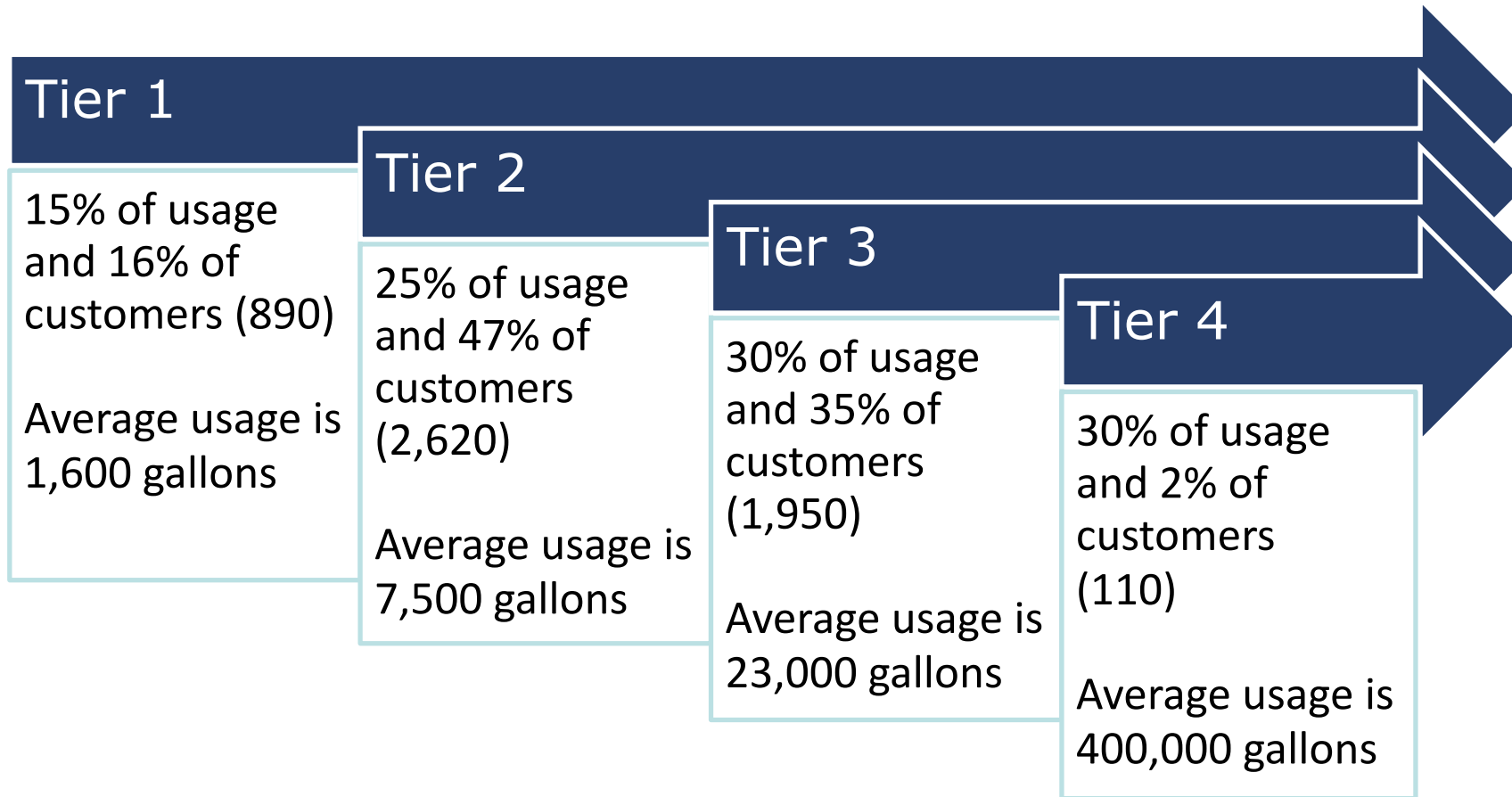
What effects will the projects CIP have on the rates, and will they be adjusted to help smooth the impacts to the customers?

- CIP borrowings add to the Debt Service when the project is complete.
- Debt Service is but one of the division's operating costs.
- Rate calculations account for current and projected debt service. CIP projects are moved in the schedule to address priority, funding availability, and rate impact.
- The line "Proposed Revenue" (and the resulting proposed rate increases) on Slides 8 and 9 allow for smoothing the impacts to customers.

Will any fiscal limits be placed on the W&S budget so that rate hikes are minimized as much as possible?

- The Commissioners make this decision, with input from management.
- The guiding principle for establishing the rates is to keep them as low as possible over time.

Statistical Data



Customer count rounded to the nearest 10

Statistical Data

How many total W&S customers on the system?
5,573

Number of
Residential
4,853

Number of
Commercial
720

Customers by service type

Water Only
1,711

Sewer Only
487

Combined
3,375

All customers are billed quarterly

We do not have seasonal
customers; base rates must be
maintained quarterly

Statistical Data

Under Customer effect: What is the change in the base rates once the variable-tier rates go into effect? How much are they increasing?

- The change in base rate is the same for either rate design.
- Water is a 9.6% increase for FY24-27 and then a 3% increase in FY28-29.
- Sewer is a 16.8% increase for FY24-27 and then a 3% increase in FY28-29.

Rate	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Water Quarterly Base Rate (per EDU)	\$59.34	\$65.04	\$71.28	\$78.12	\$85.62	\$88.19	\$90.84
Sewer Quarterly Base Rate (per EDU)	\$119.03	\$139.03	\$162.38	\$189.66	\$221.53	\$228.17	\$235.02
Fixed Rate - Unmetered Sewer	\$182.21	\$199.47	\$232.98	\$272.12	\$317.84	\$327.37	\$337.19

Statistical Data



Under **Fiscal effect on WSD Fund:** On a fiscal year basis, how much and why is the General Fund contributing to the Water and Sewer Enterprise Fund? If WSD is a stand-alone business, why are there projected General Fund Contributions to WSD? And why aren't these contributions explained in the budget document?

- On a fiscal year basis, the General Fund makes no contribution to the Water & Sewer Enterprise Fund to operation.
- The Water & Sewer (WSD) Enterprise Fund was set up by the Commissioners to be self-sustaining.
- In the past, the General Fund has given a loan to the WSD Fund, and this is noted in the Comprehensive Annual Financial Report (CAFR) and noted in the budget as it is being paid down.
- In FY2022-23, the Commissioners granted a catch-up salary to county employees and paid the WSD share with a transfer from the General Fund to the WSD Fund. These are noted in the CAFR.



Statistical Data

Why doesn't the FY 2024 Approved Budget Document include any indication of potential rate changes due to a structure change?

Other than in the budget resolution, a reader of the budget would not have been aware that increases were planned.

- Management presents rates change requests with the budget through a rate model presentation. This has been the case in the past and will continue.
- With the EDU audit and the Commissioner's instructions to evaluate the EDU methodology in place, a presentation was not made.

According to the FY 2024 Approved Budget Document in the Revenue Highlights section there was a positive change in net position of \$1,950,297 from operations. If WSD net position is increasing, why are rate increases needed so desperately now?

- The item referenced is telling the reader the Water & Sewer (WSD) Enterprise Fund used Net Position funds to balance the FY24 budget, because expenditure need was greater than forecasted revenue.
- In this case, Net Position usage is a drain on the division's operating cash reserves.

Statistical Data



Why is Prior Year Fund Balance used to balance the budget?

A strong county fiscal policy would require that Fund Balance only be used as a one-time bridge to a fiscal course correction.

- Inflation and the inability to have annual rate increase are the contributing factors.

Based on a comment made during the presentation that this fund should not be using the WSD funds interchangeably – who has been responsible for ensuring that staff is not using Sewer revenue for Water Expenses and vice versa?

- The budget build and expending of the budget is managed where water revenue pays for water expenditures and sewer revenue pays for sewer expenditures.
- The process is well defined with checks-and-balances and multiple Departments are involved in the review of fund usage.

Statistical Data

In the quarterly usage column of the presentation slide for billing impact, are the user types supposed to represent usage in each tier?

- The quarterly usage amounts represent typical customer bills. For example, the median customer (50th percentile) uses 9,000 gallons of water per quarter. By definition, the median is the amount of quarterly bill usage that splits all quarterly bill usage amounts in half (i.e., half of all quarterly bill usages are equal to or less than 9,000 gallons and half are equal to or greater than 9,000 gallons). Under the alternative rate design, that customer would pay the Tier 1 rate for the first 3,300 gallons of usage and the Tier 2 rate for the remaining 5,700 gallons of usage. This results in a lower bill than that of the current rate design.

In the presentation, what does the percentile represent and why does it only appear in the last slide of the presentation?

- The percentile is the percentage of quarterly bill usages that are equal to or below the given value. For example, the 10th percentile of 2,100 gallons (a small user) means that 10% of quarterly bill usages are 2,100 gallons or less. See previous answer for example for 50th percentile (median).