

NOTICE:

**BOARD OF ESTIMATES HEARING ON PROPOSED
WATER/WASTEWATER/STORMWATER RATE
ADJUSTMENTS AND ENHANCED CUSTOMER
ASSISTANCE PROGRAM (BALTIMORE H2O ASSISTS)**

WEDNESDAY, JANUARY 9, 2019

9:00 AM

ROOM 215, CITY HALL

100 N. HOLLIDAY STREET

BALTIMORE, MD 21202

THE BOARD OF ESTIMATES WILL HOLD A PUBLIC HEARING ON PROPOSED WATER, WASTEWATER AND STORMWATER RATE ADJUSTMENTS AND ENHANCED CUSTOMER ASSISTANCE PROGRAM (BALTIMORE H2O ASSISTS) DURING ITS REGULARLY SCHEDULED BOARD MEETING ON WEDNESDAY, JANUARY 9, 2019. PURSUANT TO THE BALTIMORE CITY CODE, ART. 24, §3, NOTICE OF PROPOSED WATER AND SEWER RATE ADJUSTMENTS SHALL BE MADE BY THE BOARD OF ESTIMATES AT LEAST 30 DAYS PRIOR TO APPROVAL.

Department of Public Works – Proposed Water and Sewer Rate Adjustments

The Board of Estimates will hold a hearing on proposed rate increases for water, wastewater and stormwater charges and an enhanced customer assistance program (Baltimore H2O Assists). If adopted, the proposed rates will become effective beginning on July 1, 2019, July 1, 2020, and July 1, 2021. The enhanced customer assistance program (Baltimore H2O Assists) will be available beginning July 1, 2019. Notice of the proposed rate changes will be published as required by law. A public hearing will be held on January 9, 2019.

PROPOSED RATES:

Fund	FY20	FY21	FY22
Water	9.9%	9.9%	9.9%
Wastewater	9.0%	9.0%	9.0%
Stormwater	9.0%	9.0%	9.0%

Pursuant to Ordinance 941, which implements the City Charter Amendment, approved by the voters in 1978, the water and wastewater utilities must be maintained as self-sustaining operations. In addition, Ordinance 13-143 implemented the City Charter Amendment to establish the stormwater utility as a self-sustaining enterprise. It is therefore the duty of the Director of Finance and the Director of Public Works to recommend to the Board of Estimates rates and charges to keep the utilities self-sustaining.

Compliance with Federal and State mandates as well as the demands of aging water, wastewater and stormwater infrastructure will require the City to continue to allocate revenues to fund multimillion dollar capital projects.

Water

The FY 2020 – FY 2026 Water Capital Improvement Plan (CIP) portfolio appropriation is estimated at \$1.79 billion. Required maintenance and rehabilitation of our water system such as the rehabilitation of the Montebello Water Filtration Plant 1, chlorine safety improvements to Montebello Water Filtration Plants 1 & 2, and city-wide water main replacements are primary cost drivers within our CIP. In addition to maintenance and rehabilitation projects, new construction also has a significant impact on the capital budget. The construction of the proposed new Fullerton Water Filtration Plant alone is estimated at \$635 million.

Wastewater

Baltimore City signed a Consent Decree with the Environmental Protection Agency (EPA), U.S. Department of Justice (DOJ), and Maryland Department of the Environment (MDE) to fix the sewer system and prevent illegal discharges. As a result, the FY 2020 – FY 2026 Wastewater CIP portfolio appropriation is estimated at \$1.76 billion. Our Wastewater Consent Decree mandates the completion of sewer pipe projects such as Outfall Phase II Sewershed improvements, Jones Falls Phase II Sewershed improvements and the Herring Run Phase II Conveyance System upgrade to meet regulatory compliance thresholds and reduce sanitary sewer overflows. Just the aforementioned Consent Decree projects are estimated at \$264M. In addition to Consent Decree projects, Patapsco Power Reliability and Secondary Reactor rehabilitation, and upgrades to the Back River Wastewater Treatment Plant are necessary to keep pace with Clean Water Act environmental requirements. Improvements at Patapsco and Back River alone are estimated at \$143 million and \$69 million respectively.

Stormwater

The FY 2020 – FY2026 Stormwater CIP portfolio appropriation is estimated at \$227 million. Restoring the integrity and ecological habitat of the Herring Run and Moore's Run streams are included in the CIP, along with the rehabilitation of storm drain systems located in the Patapsco, Jones Fall, and Gwynn's Falls drainage areas. These projects are necessary to minimize flooding impacts to surrounding communities and to meet the City's Municipal Separate Storm Sewer System (MS4) permit for water quality improvements. The current permit mandates that the City restore or remediate an equivalent of 20% of impervious surface to the maximum extent possible, the equivalent of more than 4,200 acres-worth of hard surfaces. This permit is set to expire December 2018, and the next permit iteration will contain a similar requirement which will need to be addressed through capital improvement projects. It is anticipated that the majority of the stormwater capital investment currently underway will be necessary to meet the future federal mandate. Additionally, funding for a stormwater hydraulic model was included to map out the current stormwater collection system as a means to evaluate the effective capacity of these pipes.

Proposed Rate Increase:

In order to maintain the utilities as self-sustaining, we are requesting a hearing to propose two changes: a three-year series of increases to our current water, wastewater and stormwater charges, and an enhanced customer assistance program (Baltimore H2O Assists).

The proposed water and wastewater rate increases apply to two components, fixed charges and volumetric charges. The proposed increase for water is 9.9% and for wastewater is 9%, applied annually over a three year period. The City's stormwater fee is based on the amount of impervious area on a property. The proposed increase for stormwater is 9% applied annually over a three year period.

The following table details the proposed monthly rates for fixed, volumetric, and stormwater rates over the three year period:

FIXED CHARGE COMPONENTS						
	FY 2020 <i>Effective: July 1, 2019</i>		FY 2021 <i>Effective: Jul 1, 2020</i>		FY 2022 <i>Effective: Jul 1, 2021</i>	
Account Management Fee (per bill)	\$ 3.59		\$ 3.94		\$ 4.33	
Infrastructure Charge	<u>Water</u> <i>per month</i>	<u>Sewer</u> <i>per month</i>	<u>Water</u> <i>per month</i>	<u>Sewer</u> <i>per month</i>	<u>Water</u> <i>per month</i>	<u>Sewer</u> <i>per month</i>
<u>Meter Size</u>						
5/8"	\$ 10.82	\$ 9.16	\$ 11.90	\$ 9.99	\$ 13.08	\$ 10.89
3/4"	\$ 19.48	\$ 16.48	\$ 21.41	\$ 17.97	\$ 23.53	\$ 19.59
1"	\$ 43.28	\$ 36.63	\$ 47.57	\$ 39.93	\$ 52.28	\$ 43.53
1-1/2"	\$ 75.73	\$ 64.10	\$ 83.23	\$ 69.87	\$ 91.47	\$ 76.16
2"	\$ 173.10	\$ 146.50	\$ 190.24	\$ 159.69	\$ 209.08	\$ 174.07
3"	\$ 302.91	\$ 256.37	\$ 332.90	\$ 279.45	\$ 365.86	\$ 304.61
4"	\$ 692.36	\$ 585.98	\$ 760.91	\$ 638.72	\$ 836.25	\$ 696.21
6"	\$ 1,244.09	\$ 1,052.93	\$ 1,367.26	\$ 1,147.70	\$ 1,502.62	\$ 1,251.00
8"	\$ 1,947.26	\$ 1,648.06	\$ 2,140.04	\$ 1,796.39	\$ 2,351.91	\$ 1,958.07
10"	\$ 2,758.62	\$ 2,334.75	\$ 3,031.73	\$ 2,544.88	\$ 3,331.88	\$ 2,773.92
12"	\$ 4,922.24	\$ 4,165.92	\$ 5,409.55	\$ 4,540.86	\$ 5,945.10	\$ 4,949.54
VARIABLE RATE COMPONENTS						
	FY 2020 <i>Effective: July 1, 2019</i>		FY 2021 <i>Effective: Jul 1, 2020</i>		FY 2022 <i>Effective: Jul 1, 2021</i>	
	<u>Water</u> <i>per Ccf</i>	<u>Sewer</u> <i>per Ccf</i>	<u>Water</u> <i>per Ccf</i>	<u>Sewer</u> <i>per Ccf</i>	<u>Water</u> <i>per Ccf</i>	<u>Sewer</u> <i>per Ccf</i>
Volumetric Rate (all units)	\$ 3.01	\$ 7.98	\$ 3.30	\$ 8.70	\$ 3.63	\$ 9.48
STORMWATER CHARGE						
	FY 2020 <i>Effective: July 1, 2019</i>		FY 2021 <i>Effective: Jul 1, 2020</i>		FY 2022 <i>Effective: Jul 1, 2021</i>	
	<u>Stormwater</u> <i>per month</i>		<u>Stormwater</u> <i>per month</i>		<u>Stormwater</u> <i>per month</i>	
Stormwater Charge (per ERU)	\$ 5.45		\$ 5.95		\$ 6.50	

If adopted, the proposed rates will become effective on July 1, 2019, July 1, 2020, and July 1, 2021.

Over the next ten years, it is anticipated that the rate increases will begin to slow as these water systems reach a steady state. The current construction program has created significant improvements to this infrastructure, allowing the City to meet its federal and environmental regulatory mandates. Investments which were made in recent years such as sound asset management and a proactive maintenance strategy have positioned the water utility to achieve a much more stable environment.

Exhibit 1 below demonstrates the proposed three-year series of rate increases and, based on current assumptions, a gradually declining rate where the system will begin to reach a steady state starting in fiscal year 2027. For illustrative purposes, Exhibit 2 depicts the anticipated bill impact (under the proposed increases) on an average three person residential household in the City using 6 CCF of water per month (approximately 4,500 gallons) with service provided through a 5/8" water meter.

Exhibit 1: Proposed and Forecasted Rate Increases

	FY 2020 Proposed	FY 2021 Proposed	FY 2022 Proposed	FY 2023 Forecast	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast
Water	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	6.00%	3.25%	3.25%	3.25%
Wastewater	9.00%	9.00%	9.00%	6.00%	6.00%	5.00%	3.25%	3.25%	3.25%	3.25%
Stormwater	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	3.25%	3.25%	3.25%

Exhibit 2: Proposed Customer Impacts

Proposed Customer Bill Impacts				
<i>Monthly Charges for 5/8" Meter and 6 Ccf</i>				
	FY 2019	FY 2020	FY 2021	FY 2022
	<i>Current</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>
Account Management Fee	\$ 3.26	\$3.59	\$3.94	\$4.33
Water Infrastructure Charge	\$ 9.84	\$10.82	\$11.90	\$13.08
Water Volume Charges	\$ 16.38	\$ 18.06	\$ 19.80	\$ 21.78
Sewer Infrastructure Charge	\$ 8.40	\$ 9.16	\$ 9.99	\$ 10.89
Sewer Volume Charges	\$ 43.92	\$ 47.88	\$ 52.20	\$ 56.88
Stormwater Charge	\$ 5.00	\$ 5.45	\$ 5.95	\$ 6.50
Bay Restoration Fee	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Total Bill	\$ 91.81	\$ 99.96	\$ 108.78	\$ 118.46

County Rates:

The City provides wholesale potable-water service to Baltimore, Howard, and Anne Arundel counties. The City provides raw water to Carroll and Harford counties. Howard County recently signed a new service agreement which was approved by the Board of Estimates in October 2017. The new service agreement implemented a rate structure that is tied to City rate increases and is based on their reserved water capacity and annual consumption. Until formalized agreements are signed by Anne Arundel and Carroll counties, they will continue to receive water according to the rates shown below.

	FY2020	FY2021	FY2022
Anne Arundel County			
Wholesale Service (all units)	\$2.85	\$3.13	\$3.47
Carroll County			
Raw Water Service (all units)	\$1.01	\$1.11	\$1.22

If adopted, the proposed rates will be effective on the date of July 1, 2019, July 1, 2020 and July 1, 2021. Increased cost of water and wastewater service will be passed on to Baltimore County through the City-County Agreements. Baltimore County establishes its own water rates with City concurrence.

Customer Assistance Program:

The City recognizes that rate increases can result in a significant burden to customers with limited incomes. For years DPW has offered three main assistance programs to Baltimore City customers with limited incomes: the Senior Assistance Program, the Low-Income Assistance Program, and the Hardship Exemption Program. While these programs are beneficial, we seek to expand the program to aid more customers in need.

It is recommended to create a new program, “Baltimore H2O Assists”, which would apply to Baltimore City customers with a household income at or below 175 percent of the federal poverty level, regardless of age. The program would give a 43% discount towards the total water and wastewater volumetric charges. This new program would use the same structure as the existing senior assistance program but would apply the discount to a much larger population. It would also apply the Hardship Exemption that waives Bay Restoration and Stormwater fees.

Eligibility criteria for Baltimore H2O Assists will be determined by the Federal Poverty Line (FPL), which is updated each year in January. This new program will greatly assist those who are at or below 175% of the poverty line but do not meet the age requirements of the current Senior Discount Program. Seniors who are already enrolled in the current Senior Citizen Discount Program will qualify for the new Baltimore H2O Assists program.

Although DPW is proposing to enhance the existing customer assistance program by creating “Baltimore H2O Assists”, DPW will continue to offer other resources and programs that all customers have the opportunity to utilize. Customers who fall behind could still enter a payment program. The Customer Self-Service Portal enables customers to track and better understand their water consumption, and identify potential leaks. DPW offers a stormwater credit program for both residential and non-residential customers, as described in the Stormwater Regulations, which were updated in 2017 with an expanded credit program.