


FROM	NAME & TITLE	Jason W. Mitchell, Director, Department of Public Works	CITY OF BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Henry J. Raymond, Director, Department of Finance		
	SUBJECT	Water, Sewer, and Stormwater Utility Rates		

DATE:

TO

Honorable President and Members
of the Board of Estimates

May 4, 2022

Dear Mr. President and Members:

ACTION REQUESTED OF THE BOARD OF ESTIMATES

The Board of Estimates is requested to hold a hearing on proposed rate increases for water, wastewater, and stormwater charges. If adopted, the proposed rates will become effective beginning on July 1, 2022. A public hearing is requested for June 15, 2022.

PROPOSED RATES

Fund	FY 2023	FY 2024	FY 2025
Water	3.0%	3.0%	3.0%
Wastewater	3.5%	3.5%	3.5%
Stormwater	3.0%	3.0%	3.0%

BACKGROUND AND EXPLANATION

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 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.

The demands of an aging infrastructure and compliance with Federal and State mandates require the City to continue investing in the Utilities to maintain the expected level of service.

Capital Improvement Program

The Water Utility serves over 1,800,000 people by supplying approximately 70 billion gallons of water annually to a service area that is approximately 220 square miles. The distribution system has approximately 4,500 miles of mains ranging in size from 4 inches to 144 inches in diameter. The Wastewater Utility provides for the treatment and disposal of sanitary sewage flow. The Wastewater Utility maintains approximately 1,360 miles of sanitary interceptors and main line sewers, which convey wastewater to two treatment plants. The Stormwater Utility maintains approximately 1,146 miles of storm drain pipes and approximately 52,438 storm drain inlets, which clean and convey stormwater runoff to the City's waterways.

The proposed Fiscal Year 2023 Capital Improvement Program (CIP) for the Utilities totals approximately \$361 million. This includes \$61 million for the Stormwater Utility, \$161 million for the Wastewater Utility, and \$127 million for the Water Utility.

The total proposed 6-year CIP for Fiscal Year 2023 through Fiscal Year 2028 totals approximately \$2.3 billion. This includes \$249 million for the Stormwater Utility, \$1.2 billion for the Wastewater Utility, and \$919 million for the Water Utility.

Each of the projects within the proposed CIP will help preserve and enhance capacity and capabilities of the Utilities. Water Utility capital funding will allow for the required maintenance and rehabilitation of our water system by supporting projects such as water main replacements. Wastewater Utility capital funding will allow for the required maintenance and rehabilitation of our wastewater system by supporting projects such as sewer main replacements and treatment plant rehabilitations. Stormwater Utility capital funding will provide for the protection, enhancement, and restoration of coastline and streams through green infrastructure projects.

Consent Decree

In 2002, the City of Baltimore executed a Consent Decree with the U.S. Department of Justice, the EPA, and MDE to address discharges from the City's wastewater collection system. A Modified Consent Decree was accepted by the parties in 2017. The Consent Decree is similar to those entered into by other major cities such as Miami, New Orleans, Atlanta, Birmingham, and Cincinnati. One of the major components of the Consent Decree is that it requires that the City eliminate Sanitary Sewer Overflows (SSO) and SSO structures.

Consent Decree work will be completed in two phases. Phase I was completed in 2021. The City will submit a Phase II plan that incorporates input from the Phase I project results by December 31, 2022, identifying an optimized mix of sewer system rehabilitation and capacity projects that shall be completed by December 2030. At the conclusion of the Phase II, a monitoring and assessment period will be initiated to conclude by December 2032 when the Modified Consent Decree will be closed.

After conducting a comprehensive study and inspection of the entire collection system, the costs of remedial measures were estimated to be approximately \$2.2 billion as of October 2021, which is accommodated via the CIP. A total of \$1.4 billion has been spent or encumbered to date and \$790 million is the projected cost for the completion of Phase I and II projects through December 2030. The total amount is dependent on negotiations with EPA and MDE to define additional capacity-related improvements for the collection system.

Proposed Rate Increase

The proposed Water and Wastewater Utility rate increases apply to three components: fixed charges, volumetric charges, and all other miscellaneous charges and fees. The proposed annual increases are 3.0% for the Water Utility and 3.5% for the Wastewater Utility. The Stormwater fee is based on the amount of impervious area on a property. The proposed annual rate increase for the Stormwater Utility is 3.0%.

The following chart details the proposed monthly rates:

FIXED CHARGE COMPONENTS						
<i>Effective:</i>	FY 2023		FY 2024		FY 2025	
	<i>July 1, 2022</i>		<i>July 1, 2023</i>		<i>July 1, 2024</i>	
Account Management Fee (per bill)	\$ 4.46		\$ 4.59		\$ 4.73	
Infrastructure Charge	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
	<i>per month</i>	<i>per month</i>	<i>per month</i>	<i>per month</i>	<i>per month</i>	<i>per month</i>
<u>Meter Size</u>						
5/8"	\$ 13.48	\$ 11.28	\$ 13.89	\$ 11.68	\$ 14.31	\$ 12.09
3/4"	\$ 24.24	\$ 20.28	\$ 24.97	\$ 20.99	\$ 25.72	\$ 21.73
1"	\$ 53.85	\$ 45.06	\$ 55.47	\$ 46.64	\$ 57.14	\$ 48.28
1-1/2"	\$ 94.22	\$ 78.83	\$ 97.05	\$ 81.59	\$ 99.97	\$ 84.45
2"	\$ 215.36	\$ 180.17	\$ 221.83	\$ 186.48	\$ 228.49	\$ 193.01
3"	\$ 376.84	\$ 315.28	\$ 388.15	\$ 326.32	\$ 399.80	\$ 337.75
4"	\$ 861.34	\$ 720.58	\$ 887.19	\$ 745.81	\$ 913.81	\$ 771.92
6"	\$ 1,547.70	\$ 1,294.79	\$ 1,594.14	\$ 1,340.11	\$ 1,641.97	\$ 1,387.02
8"	\$ 2,422.47	\$ 2,026.61	\$ 2,495.15	\$ 2,097.55	\$ 2,570.01	\$ 2,170.97
10"	\$ 3,431.84	\$ 2,871.01	\$ 3,534.80	\$ 2,971.50	\$ 3,640.85	\$ 3,075.51
12"	\$ 6,123.46	\$ 5,122.78	\$ 6,307.17	\$ 5,302.08	\$ 6,496.39	\$ 5,487.66
VARIABLE RATE COMPONENTS						
	<i>per Ccf</i>	<i>per Ccf</i>	<i>per Ccf</i>	<i>per Ccf</i>	<i>per Ccf</i>	<i>per Ccf</i>
Volumetric Rate (all units)	\$ 3.74	\$ 9.81	\$ 3.85	\$ 10.15	\$ 3.97	\$ 10.51
STORMWATER CHARGE						
Stormwater Charge (per ERU)	\$ 6.70		\$ 6.95		\$ 7.20	
Tier 1 Residential	\$ 4.45		\$ 4.60		\$ 4.80	
Tier 2 Residential: ERU	\$ 6.70		\$ 6.95		\$ 7.20	
Tier 3 Residential	\$ 13.40		\$ 13.90		\$ 14.40	

The proposed rate increase is the first year of a transition to inflationary adjustments that support operations and sustainable capital investment. The Utilities are in stable financial health with an Aa2 Bond rating, which represents high quality and very low risk. The City of Baltimore has also had access to low-cost funding through programs such as State Revolving Loan Funds and Water Infrastructure Finance and Innovation Act (WIFIA) funds, which have saved over \$100 million in financing costs. The agency expects to save more on its capital costs in the future with the implementation of the \$1.2 trillion Infrastructure Investment and Jobs Act.

In addition, the Fiscal 2023 proposed rate increase will represent an average 3.2% increase to a typical household bill or estimated \$3.76 on 6 CCFs of consumption.

Proposed Customer Bill Impacts				
<i>Monthly Charges for 5/8" meter and 6 Ccf</i>				
	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	<i>Current</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>
Account Management Fee	\$ 4.33	\$ 4.46	\$ 4.59	\$ 4.73
Water Infrastructure Charge	\$ 13.08	\$ 13.48	\$ 13.89	\$ 14.31
Water Volume Charge	\$ 21.78	\$ 22.44	\$ 23.10	\$ 23.82
Sewer Infrastructure Charge	\$ 10.89	\$ 11.28	\$ 11.68	\$ 12.09
Sewer Volume Charges	\$ 56.88	\$ 58.86	\$ 60.90	\$ 63.06
Stormwater Charge	\$ 6.50	\$ 6.70	\$ 6.95	\$ 7.20
Bay Restoration Fee	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Total Bill	\$ 118.46	\$ 122.22	\$ 126.11	\$ 130.21

The proposed rate increases are the lowest since at least 1998.

Historic Rate Increases			
<u>Date</u>	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>
Jun-98	8.00%	8.00%	
May-00	19.00%	15.00%	
Apr-02	16.00%	10.00%	
Apr-03	9.00%	9.00%	
Apr-04	9.00%	9.00%	
Apr-05	9.00%	9.00%	
Apr-06	9.00%	9.00%	
Apr-07	9.00%	9.00%	
May-08	4.00%	4.00%	
Jun-09	9.00%	9.00%	
Jul-10	9.00%	9.00%	
Jul-11	9.00%	9.00%	
Jul-12	9.00%	9.00%	
Jul-13	15.00%	15.00%	
Jul-14	11.00%	11.00%	
Jul-15	11.00%	11.00%	0.00%
Oct-16	9.90%	9.90%	0.00%
Jul-17	9.90%	9.90%	0.00%
Jul-18	9.90%	9.90%	0.00%
Jul-19	9.90%	9.00%	9.00%
Oct-20	9.90%	9.00%	9.00%
Jul-21	9.90%	9.00%	9.00%
Jul-22	3.00%	3.50%	3.00%
Jul-23	3.00%	3.50%	3.00%
Jul-24	3.00%	3.50%	3.00%

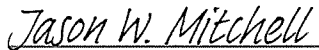
County Rates

The City provides retail potable water service to Baltimore County, wholesale potable water service to parts of Howard, and wholesale raw water is provided to Harford and Carroll Counties. If adopted, the proposed rates will be effective on July 1, 2022. The increased cost of water and wastewater service will be passed on to Baltimore County through City-County Agreements in which Baltimore County establishes its own water rates with City concurrence. Howard County, Harford, and Carroll Counties have Board of Estimates approved agreements with the City.

Conclusion

The Department of Public Works and Department of Finance thank the Board of Estimates for the opportunity to share this historic public notice. Representatives of the agency will be prepared to address any questions you may have and receive comments from the public at the proposed June 15, 2022 hearing.

APPROVED


Jason W. Mitchell (Apr 25, 2022 19:15 EDT)

Jason W. Mitchell
Director
Department of Public Works

APPROVED



Henry J. Raymond
Director
Department of Finance

APPROVED BY THE BOARD OF ESTIMATES

Clerk

Date