



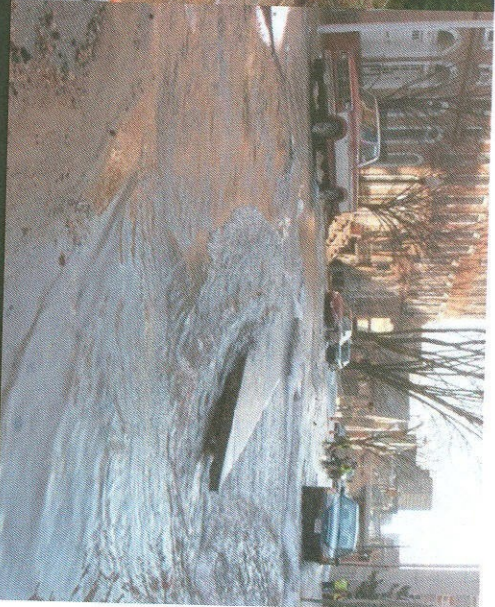
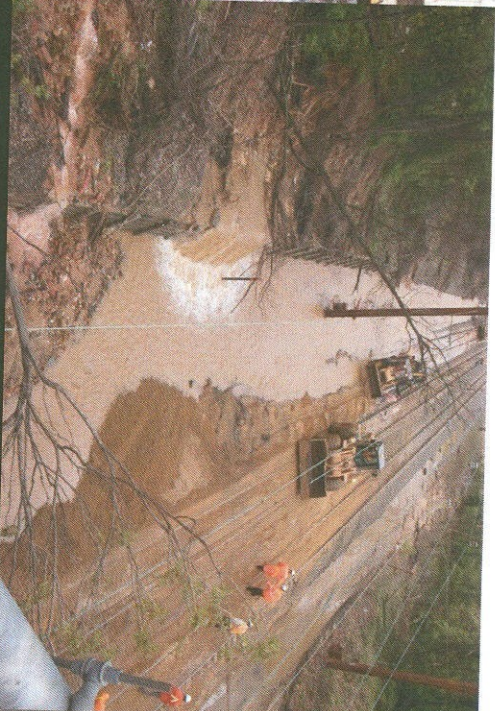
STEPHANIE
RAWLINGS-BLAKE
MAYOR

Department of Public Works

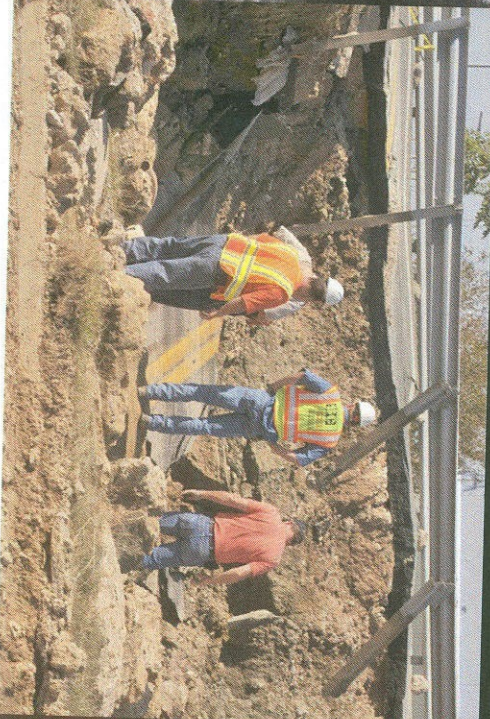
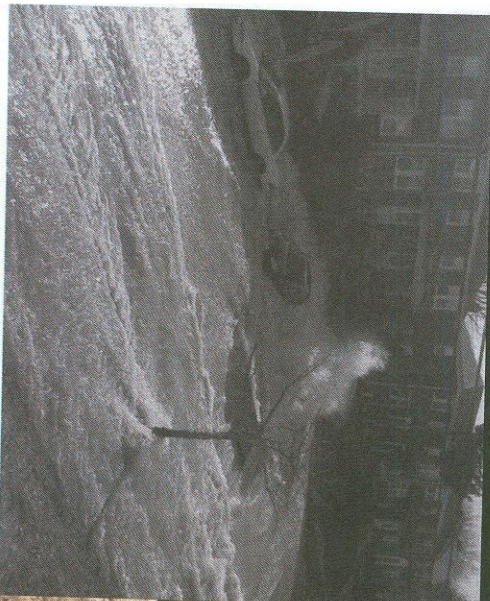
Bureau of Water and Wastewater

FY 2012 Rate Increase Recommendation

May 12, 2011



WE HAVE A LOOMING CRISIS UNDERFOOT. THE CITY'S WATER INFRASTRUCTURE, CRITICAL TO BASIC SANITATION, HEALTH, PUBLIC SAFETY AND ECONOMIC GROWTH; IS FAILING AT AN ALARMING RATE. WE NOT ONLY HAVE TO CHOOSE HOW TO SPEND OUR MONEY; WE HAVE TO CHOOSE TO SPEND MONEY.



A National Issue

We're not alone, but we're on our own.

- The country is on the “dawn of the replacement era” and we must make the largest public works investment in the nation’s history
- Over the next 20 years, it is estimated that \$1.4 trillion will be spent for water and wastewater infrastructure projects; **over 90% will be paid locally**
- Continued deferred maintenance and capital investment lead to:
 - Poor water system performance
 - Major water emergencies like Argonne and Lombard breaks
 - Lengthy service disruptions



A National Issue

We're not alone, but we're on our own.

EPA/Federal

EPA has identified a country-wide funding gap of \$534 Billion over the next 20 years;

EPA guidance states that the average life of a distribution system is between 60 and 95 years

EPA recommends a water infrastructure replacement rate of 3% of the system per year

In mid 2009, the EPA estimated there are 240,000 water main breaks per year in the United States.

The American Recovery and Reinvestment Act (ARRA) of 2009 resulted in \$95.7 M (WW) and \$26.8 M (W) for the State of Maryland.

According to the U.S. Geological Survey, 1.7 trillion gallons of water are lost annually through water distribution systems at a cost of \$2.6 billion

City of Baltimore

The City estimates its funding gap to be \$4 billion over 6 years for known improvements

Over 95% of the City's water mains have been in service for 65 years without inspection; many are approaching 100 years of service

In FY2009 just 0.04% of the system's water main was replaced; 0.5% in all of FY2010

In the past five years the City has responded to 5,762 water main breaks (3 mains a day); in the Winter the *daily count has reached as high as 50*

27 shovel ready projects estimated at \$700 M were submitted for ARRA funds; just \$12 M in stimulus funds for 2 projects

The City loses enough water daily to fill the world trade center; 20% of finished water revenues

Rate Increases are Needed

- The projected rate increases provide additional revenue to fund water and wastewater's operations, maintenance and capital improvement program
- \$2.1 billion in CIP improvements were identified for FY 2011 through FY 2016
- An additional \$1.8 billion in known improvements must also be addressed
- The actual required rate increases to cover this \$4 billion in improvements would surpass 9%

YEAR	2012	2013	2014	2015	2016
WATER	25%	25%	12%	9%	9%
WASTEWATER	12%	12%	9%	9%	12%

Proposed Rate Increase

- The proposed rate increase for FY2012 is 9% (both water and sewer)
- Provides \$17.9M in additional revenue
- For a family of 4 with an average consumption of 320 gallons a day (.42 units a day, 39 units a quarter):

Service	Quarter			Annual (Four Quarters)		
	FY2011	FY2012 (Proposed)	Total Quarterly Increase	FY2011	FY2012 (Proposed)	Total Annual Increase
Water	\$ 104.96	\$ 114.39	\$ 9.45	\$ 419.80	\$ 457.58	\$ 37.78
Sewer	\$ 148.60	\$ 160.63	\$ 12.02	\$ 594.41	\$ 642.50	\$ 48.10
			\$21.47			\$85.88

Proposed Rate Increase

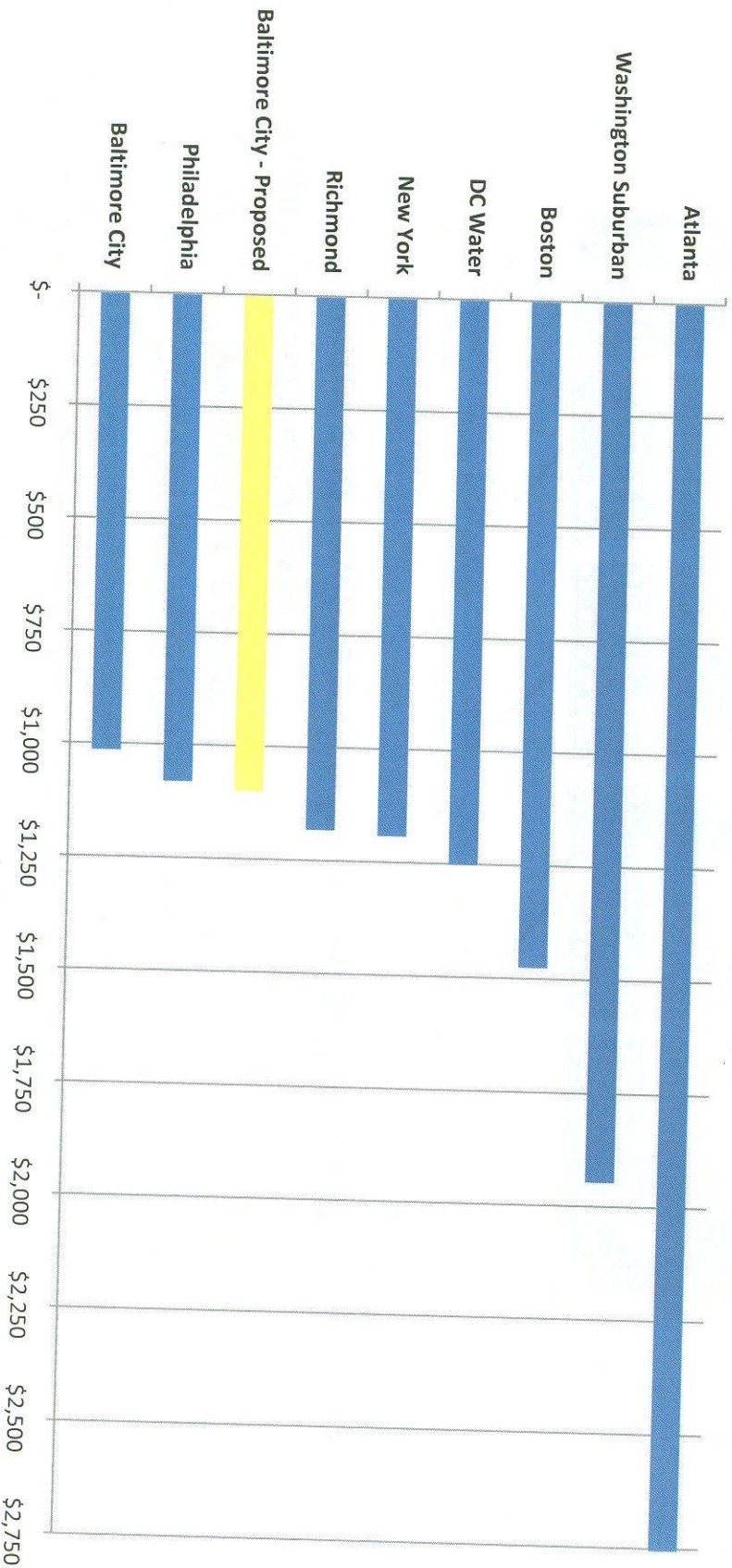
- What does this mean for our Citizens?
 - 8 oz. glass of water for less than 1¢
 - 10 minute shower (16 gallons) for 6¢
 - Improved service delivery
 - 24-hour water and sewer service for every dollar spent



Large Utility Rate Comparison

Annual Water and Sewer Costs for Major Cities

March 2011



Assumes 39 ccf per quarter (320 gallons/day) Costs include water and sewer bills

Funding Priorities

- **Unfunded mandates** to avoid costly enforcement action/fines:
 - Wastewater treatment plant ENR upgrades
 - SSO Consent Decree
 - Covering/Post-Treatment for Finished Water Reservoirs
- Long-term **infrastructure stability** investment
 - Asset Management Program
 - Infrastructure Replacement
 - Large Diameter Transmission Mains
 - Advanced Meter Infrastructure
 - Reduction in Unaccounted Water
 - New Water Treatment Plant
 - Sewer Lateral Rehab/Replacement Program
 - Modernization of information technology systems



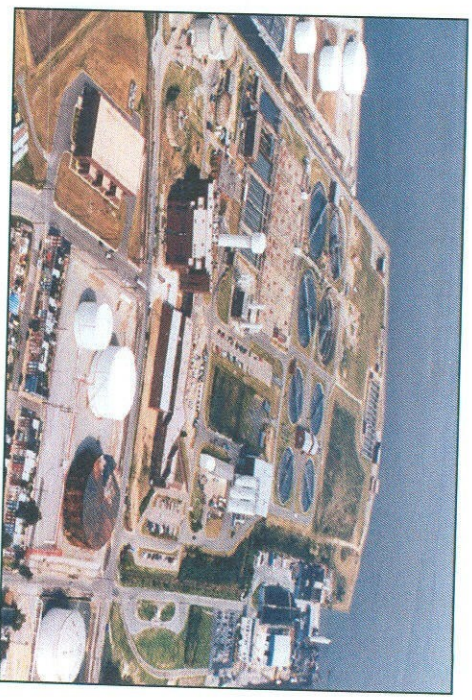
Unfunded Mandates

- EPA's focus on enforcement under the new Administration is leading to additional ***unfunded mandates***
- The Bureau's total debt has more than doubled between FY2004 and FY2011 largely due to ***unfunded mandates***
- In accordance with Safe Drinking Water Regulations, the City must cover its five finished water reservoirs by 2016 under an **Administrative Order on Consent** at a total estimated cost of \$129 M (\$6 M in stimulus funds)



Unfunded Mandates

- The City must spend an estimated \$872 M in Enhanced Nutrient Removal upgrades at the wastewater treatment plants to meet more stringent Chesapeake Bay requirements (with an estimated \$250 M funding gap)
- In 2002, the City took on an estimated **\$1 Billion Consent Decree** to improve the sanitary sewer system and eliminate sanitary sewer overflows



Rate Increase Mitigation Efforts

- Two water bill assistance programs are offered:

Program	FY2009		FY2010		FY2011 (YTD March)	
	Total \$	No. Assisted	Total \$	No. Assisted	Total \$	No. Assisted
Low-income Assistance Grant	\$ 232,500	1,973	\$ 227,155	1,836	\$ 185,375	1,483
Senior Discount	\$ 140,231	1,951	\$ 247,865	2,601	\$ 169,091	2,208

- Measures to reduce costs continues:
 - Making operational and organizational changes to become a more efficient operation
 - Fielding additional crews to cut costs of re-work and water loss
 - Implementing water audit recommendations to achieve cost savings
 - Implementing cost-saving strategies such as the Co-gen facility; looking at solar energy in reservoir projects

Schedule for Proposed Rate Increase

- March 25th – Deputy Mayor briefing
- April 1st – Request Letter to BOE to include Rate Increase Hearing request on Board Agenda
- Week of April 8th – Council President, Comptroller briefings
- April 13th – Hearing Request on BOE Agenda for approval
- 30-day Public Notification required by Code before BOE takes final action on rates and charges
- May 18th – Proposed date for hearing on rate increase
- May 19th – Rates would become effective