

**ORANGE COUNTY  
BOARD OF COMMISSIONERS**

**ACTION AGENDA ITEM ABSTRACT**

**Meeting Date:** May 6, 2010

**Action Agenda**

**Item No.** 8-a

**SUBJECT:** Efland Sewer Rates Report

---

**DEPARTMENT:** Planning and Inspections

**PUBLIC HEARING:** (Y/N)

No

**ATTACHMENT(S):**

1. Approved Efland Sewer Rate Increase Schedule
2. Rate Information Compiled and Presented by Residents
3. Historic Rate Structure

**INFORMATION CONTACT:**

Craig Benedict, Planning Director,  
245- 2592

Kevin Lindley, Staff Engineer, 245-2583

---

**PURPOSE:** To receive a report on Efland sewer rates.

**BACKGROUND:** Recently, County staff, including the Manager, Planning Director and Staff Engineer, met with residents concerned about the projected monthly sewer rate increases for the Efland sewer system. The group of residents included current Efland sewer customers and representatives from Justice United, a citizen empowerment group that deals with social justice issues in the County.

The residents presented information comparing current sewer rates in other small municipal systems throughout the state researched by Triangle J Council of Governments to the projected sewer rates for the Efland sewer system in three years, which is the last of the approved series of rate increases designed to eliminate the General Fund subsidy of the sewer system. A study was done by Raffelis for the County approximately 1 ½ years ago.

The comparisons showed the Efland rates would be higher than any other system of similar size in the state, assuming the rates do not change in the interim. Staff pointed out that all the systems used for comparison are being subsidized, based on their revenue to expense ratio. The residents agreed and said that in conversations with the various municipalities represented, the subsidies were maintained because their staff did not think residents could afford the full cost of the system.

The residents offered several potential options for ways to reduce the eventual rates customers would be expected to pay. All present agreed that the existing rates, though higher than the rates of the last twenty years, were acceptable, but thought that the final expected rate in three years (July 2012) was too much of a burden on most households in the area. This is also compounded by an additional surcharge of \$13 a month for the unique Richmond Hills subdivision lift station.

County staff reiterated the reason for the rate increases is to make the system self-sufficient and eliminate the General Fund subsidy that has steadily grown larger over the last two decades (see Attachment 3). There was some discussion of the current costs of operating the system, including capital funds that should be collected before they are needed for large, future maintenance projects. County staff discussed the potential for rate reduction should a municipality which is already in the utility business, such as Mebane or Hillsborough, assure operation and maintenance of the system and the importance of additional customers to create better economics of scale.

As the County proceeds in the expansion process of the sewer system, community leaders agree that there will be mutual benefit to promoting more customer connections. A community meeting explaining future sewer expansion will be held in the coming months.

The meeting ended with the Manager considering the information discussed in the meeting and offering to explore options with staff that may be available to the County to lessen the impact of the rising rates. Planning and Engineering staff can provide some rate scenarios in the near future.

**FINANCIAL IMPACT:** There is no financial impact to receive this report.

**RECOMMENDATION(S):** The Manager recommends the Board receive the report.

Hand Sewer Monthly Bill Projections for Customers Using Between 1000 and 6000 Gallons per Month

Current Rates (Unchanged since 1987)	Proposed Rate Increases		
	July 2009	July 2010	July 2011
\$1.70	\$7.25	\$10.16	\$14.12
\$4.50	\$6.30	\$8.82	\$12.26
NOTE: Currently, customers pay \$15.20 for 3000 gallons or less per month **Under new rate structure, there will no longer be a 3000 gallon minimum charge. INSTEAD, there will be a base charge that everyone will pay PLUS a charge per 1000 gallons of usage.**			

Rate

- \*Base Charges - Every customer pays this, regardless of usage
- \*Charge per 1000 gallons

Monthly Customer Bills

Monthly Usage	July 2009	July 2010	July 2011	July 2012
1000 gallons	\$13.55	\$18.98	\$26.38	\$36.66
2000 gallons	\$19.85	\$27.80	\$38.64	\$53.71
3000 gallons	\$26.15	\$36.62	\$50.90	\$70.75
4000 gallons	\$32.45	\$45.44	\$63.16	\$87.79
5000 gallons	\$38.75	\$54.26	\$75.42	\$104.83
6000 gallons	\$45.05	\$63.08	\$87.68	\$121.87

Water and Wastewater Rates and Rate Structures in North Carolina

March 2009  
TABLES OF RATE STRUCTURES AND COMPUTED BILLS

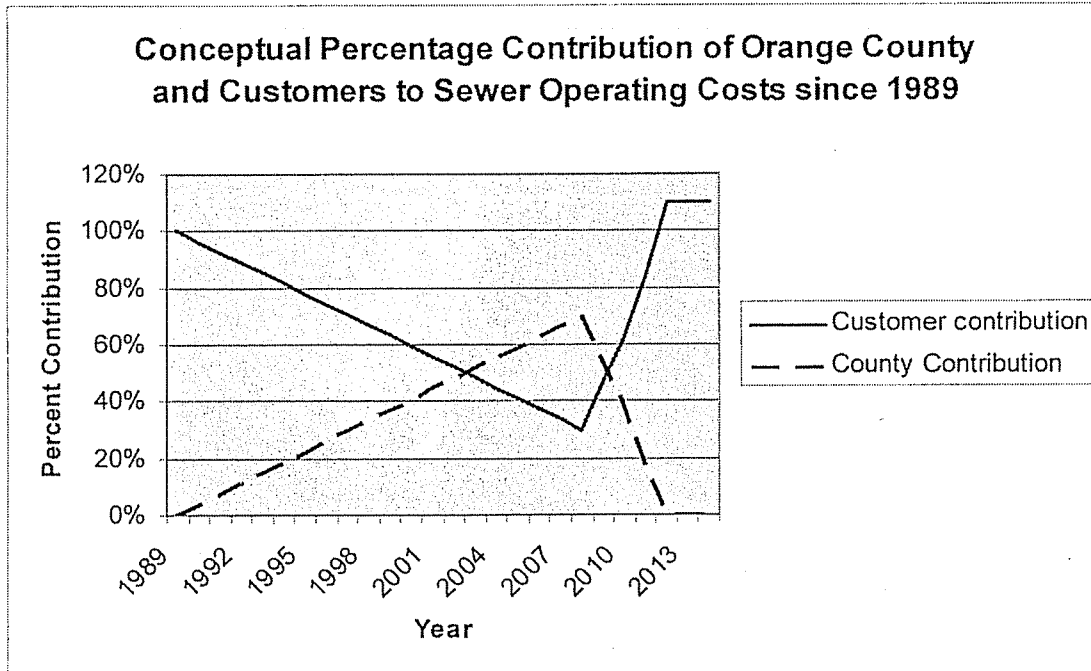
<http://www.efs.unc.edu/projects/NCWaterRates.htm>  
<http://www.ncfm.org>

Utility	Population	Operational expense/revenue	0 - Gallons Inside / outside	3,000 - Gallons Inside / outside	6,000 Gallons Inside / outside
Arba Water Corp.	203		\$18.50	\$23.50	\$38.50
Bath	285	.80	\$15.00	\$27.50	\$38.00
Bridgeton	312	.84	\$18.30	\$16.30	\$36.00
Cajah's Mountain	102	.44			
Chimney Rock	200	.65	\$12.00	\$18.00	\$28.58
Coffield	337	.71	\$21.44	\$39.19	\$56.95
Dorches	15	.78	\$29.02	\$34.36	\$53.61
Eureka	247	.52	\$12.00	\$12.00	\$18.00
Lansing	200	.66			
Lea Acres Water Co.	120		\$0	\$19.00	\$32.99
New London	82	.70	\$25.00	\$25.00	\$25.00
Proctorville	129	.58			
Roxobel	260	1.09	\$23.50	\$33.55	\$43.60
Saratoga	389	.86	\$10.00	\$16.00	\$25.00
Severn	387	.85	\$12.00	\$17.00	\$29.00
Sims	300		\$28.00	\$34.00	\$54.40
Stanfield	325	.29	\$14.00	\$14.00	\$29.00
Stokes W&S Auth.	242	.75	\$24.00	\$30.00	\$48.00
Trenton	236	.75	\$32.40	\$35.95	\$47.09
Waistonburg	225	.66			
White San Dist.	292	.77			
<b>MEBANE</b>	<b>8,900</b>	<b>1.26</b>	<b>\$0</b>	<b>\$15.30</b>	<b>\$30.60</b>
<b>OWASA</b>	<b>75,000</b>	<b>1.27</b>	<b>\$9.81</b>	<b>\$25.68</b>	<b>\$41.55</b>
<b>Hillsborough</b>	<b>12,070</b>	<b>1.25</b>	<b>\$22.74</b>	<b>\$22.74</b>	<b>\$44.34</b>
<b>EFLAND (Before)</b>	<b>215</b>		<b>\$15.20</b>	<b>\$15.20</b>	<b>\$28.70</b>
<b>EFLAND (After 4 yrs)</b>	<b>215</b>		<b>\$19.62</b>	<b>\$19.62</b>	<b>\$37.87</b>

\* INFORMATION COMPILED AND PRESENTED BY JUSTICE UNITED

### Historic Rate Structure

When the system was first established, the rates were designed so that the money paid by customers every month was enough to pay for the operation of the system. Over time, as costs rose and the rate stayed the same, the percentage of the operating costs paid by the customer became less and less, while the percentage paid by the County grew more and more. This is shown in **Figure 1** below.



**Figure 1**

As you can see from the graph, the rate increases begun in 2009 are designed to return the system to supporting itself. You may also notice that the rates charged are designed to ultimately bring in slightly more money than is needed on a yearly basis to operate the system. This overage will be placed into a capital reserve account and used to pay for the very costly pump station renovations that are expected to occur every ten to fifteen years along with other major repairs that are needed from time to time and are not anticipated.

Finally, as noted in the study done by our financial consultant, the income expected to be generated by raising the rates is based on the amount of water people have used in the past. Over the first year of the rate increase, water consumption has dropped by 10-15% and may continue to drop as rates increase. This change in usage pattern may require the County to modify the approved rates in order to maintain the income necessary for safe and efficient operation of the system.