

## **UTILITY ADVISORY BOARD**

Thursday, October 18, 2012

8:00 a.m.

### **Cascade Township – Wisner Center 2870 Jack Smith**

(Take 28<sup>th</sup> 1 block east of Thornhills, then 1 block south on Jack Smith)

#### **AGENDA**

1. Approval of Minutes – September 20, 2012 (attached)
2. Public Comment on Agenda Items
3. Transformation Update
  - a. MMRMA Risk Avoidance Program Grant
4. Process Review
  - a. Water Shut Off
  - b. Lien
  - c. System Financing (attached)
5. Quarterly Financial Reports (Fiscal 13 Q1)
6. Statistical Data Report – billed flow, MG treated, etc. (Fiscal 13 Q1)
7. ACSET/Individual Circuit Breaker Report (Calendar 2012 Q3) (attached)
8. Guidance on Consumer's Energy Rate Case U-170875
9. Contract Awards, September 2012 (attached)
10. Updates:
  - a. Sewer Ordinance
  - c. Customer Information System
  - d. 311 Call Center
  - e. Invitation to "Sewer Back Ups: A Practical Guide to PA 222" (attached)
  - f. USA Today analysis: "Nation's water costs rushing higher" (attached)
11. Items from Members
12. Next Meeting – Thursday, November 15, (do we need to reschedule?) Where?
13. Adjournment

**Utility Advisory Board  
September 20, 2012**

**1. Call to Order:**

Eric DeLong, Chair, called the meeting to order at 8:00 a.m. at the Grand Rapids' Water Administration Office, 1900 Oak Industrial Drive NE.

**2. Attendance:**

Members Attending:

Eric DeLong  
Mike DeVries (alternate)  
George Haga  
Wayne Jernberg  
Pam Ritsema  
Chuck Schroeder  
Breese Stam (alternate)  
Joellen Thompson  
Cathy VanderMeulen  
Linda Wagenmaker (alternate)  
Josh Westgate  
Ron Woods

Others Attending:

John Allen  
Steve Kopley  
Eileen Pierce

Members Absent:

Scott Buhner  
Bill Cousins  
Brian Donovan  
Mike Lunn  
Ed Robinette  
Toby VanEss

**3. Approval of Minutes:**

Motion 12-11: Cathy VanderMeulen, supported by Ron Woods, moved to approve the minutes of the August 16, 2012, meeting of the Utility Advisory Board as submitted.  
Motion carried.

**4. Public Comment:**

There was no public comment.

**5. Transformation Update – 311 System**

Eric DeLong referred members to the information provided in the meeting packet. Members living in customer communities will still use the customer service phone

number they do now and would be routed to the 311 line so all calls will be going through 311. The more difficult questions will still be sent through to the more knowledgeable staff on that subject.

ICMA did a scan to see if we had potential to use a 311 system, and it came back positive. A consultant then did a feasibility study to see if there was a business case to do this, and they did feel that there would be significant savings in public services, water customer service, and some smaller GOF areas.

The City's Transformation Fund is managed by the Transformation Investment Managers. Both Eric DeLong and Pam Ritsema serve as Investment Managers. An A3 was created that addressed all the financial and customer service questions. It was shown that we can both improve customer service and see a financial savings or return on investment.

There are start-up costs that will be charged to the General Operating Fund which will be charged to the Transformation Fund and to Enterprise Funds from their operating funds.

Pam Ritsema noted that 311 would be open 7 am – 7 pm each day which is more than we are now. There will be a reduction in personnel. Currently, 95% of the phone calls in Water Customer Service can be answered in 4 minutes or less. Staff that were answering calls during a recent month were in a "ready state" 50% of the time or not on the phone for that amount of time. Staff have already started working on processes and procedures for the changeover to the new system.

Eric DeLong added that we will have a "soft opening" of 311 so it will work alongside the current phone numbers. Once everything is working correctly and the new financial management system is online, we will move to a totally 311 system.

Cathy VanderMeulen asked about the investment from Water of \$550,000. Is this split up based on the number of calls to the Sewer Fund as well? Eric DeLong indicated that Sewer gets allocated a portion of Water's costs anyway.

Cathy VanderMeulen asked if this was anticipated in the budget. Eric indicated that he didn't think it was so we will need to do a budget amendment. We will also see if there are other things we can eliminate from the budget.

Ron Woods asked about cost allocations. Eric DeLon indicated that allocations were based on number of calls as shown on the A3. It was noted that the numbers on the memo and the A3 don't match so staff will need to look at this more to make sure the numbers work. There is also another sheet that was part of the briefing packet that provides this information that we can provide to members.

Eric DeLong indicated that cost to communities will be a one-time implementation cost.

Steve Kepley asked if every department has an individual call center now. Mr. DeLong reported that most departments aren't actual call centers. Water is the closest thing we have to a call center currently. Mr. Kepley asked how many current employees will be melded together into the call center. Eric DeLong explained that it will include some current and some new employees.

Ms. Ritsema indicated that there will be a formula based on call volume per department to allocate costs. The goal is to drive customers to self-service as much as possible and reduce overall calls.

Cathy VanderMeulen noted that, currently, 30% of the calls are to Water. Are the calls based totally on usage or are there other things? It looks like we are allocated more than 30% of the cost. Joellen Thompson noted that the first phase involves just the five largest departments, and the numbers on the A3 are based on 100% of the calls. Pam Ritsema added that the 311 system will also handle walk-up payments, and Water is probably one of the highest walk-up payment customers. We will provide the specific formula for members to review.

George Haga asked how this impacts the Wholesale customers. Linda Wagenmaker indicated that they aren't charged for customer service items so there will be no impact for them.

Eric DeLong indicated that we will provide additional information and discuss this more at the next meeting if people still have questions.

## **6. Water Conservation**

Cathy VanderMeulen referred to the analysis from the consultant and how he said Grand Rapids was unique in the way we set our rates. Does it make sense to look at how a conservation component could be incorporated into the rates long term? Is it time to look at how we do rate setting? Eric DeLong indicated that the research shows that other communities do it, but our special counsel says it probably isn't a good idea. We would have to be very careful how we would do this if there is enough interest to go forward.

Ron Woods said he has looked at this type of issue in a number of communities. It is very difficult for them to prove that the rates are the true cost of service. It is very difficult to demonstrate that the money you are charging for the community truly reflects the true cost of services you are providing. Eric DeLong noted that he hasn't heard anyone advocating to give industry a break, but rather, the homeowners. A tension in our system is that the more water we pump the lower people's rates are. What we really need is more users using a little less water each.

## **7. Contract Awards**

Eric DeLong reviewed the information provided in the meeting materials. Chuck Schroeder explained the work that will be done on this project.

## 8. Updates:

MMRMA Risk Avoidance Program Grant – Kathie Kuzawa will be here next month to discuss this grant and what it will be used for.

Customer Information System – Joellen Thompson reported on the lien letters that went out recently. One of the changes with the new system was not to have back and forth communication with communities on delinquent accounts throughout the year. Instead, once a year we will be turning over a list of delinquent accounts to each community that are going to lien. In August, we realized we need to get lien letters out to folks, and they were all sent at once on or about September 1. There were lots of phone calls and walk-in customers about this issue. We are working through the process. Eileen Pierce is working on an A3 for handling this type of thing in the future. One of the positive things to come out of this is that we did collect quite a bit of cash over the last couple of weeks.

Eileen Pierce noted that there is still quite a bit of activity on the phone on these. Joellen Thompson added that we are testing some changes to the collection system that will include the lien process. In future, it will spread these letters out throughout the year rather than having them all go out at one time.

Eric DeLong noted that everyone that got a letter should have known that they had a past due balance. Joellen Thompson agreed but noted that there were some that had paid off their amount that staff weren't able to pull out before the letters went out.

Ron Woods asked how far delinquent these people were before it went to lien. Joellen Thompson noted that they would be 230 days delinquent, or just over 6 months. George Haga noted that Ada also does this just once a year, but they don't have the number of delinquencies Grand Rapids does. He added that people will be upset again once they actually see the amounts show up on their tax bills.

Steve Kepley asked about the process for notifying and shutting off water. Eric DeLong indicated that we could discuss this process at the next meeting.

Wayne Jernberg reported that staff will be meeting next week to set a date for final acceptance of the CIS system. We are realizing there are some efficiencies that can be made and are trying to implement these prior to final acceptance.

## 9. REGIS

There was nothing new to report on REGIS.

## 10. Moodys Rating

Eric DeLong referred members to the information provided in the meeting materials. We maintained our rating which was good.

**11. Items from Members:**

Breese Stam reported that they are finishing the concrete and the steel is ordered for the Patterson Tank, and the project is going well. The East Paris Service Center is underway. CSO is on schedule. There is a project taking place at the Lake Michigan Filtration Plant for concrete restoration.

Wayne Jernberg reported that they are working on a wholesale master meter calibration. Probably in the next week or two, this will be sent out to Ada, East Grand Rapids and Ottawa County to try to figure out when these master meters need to be calibrated.

George Haga noted that he was successful in the election process.

Mike DeVries reported that they have received a number of phone calls from residents that have been forwarded from Grand Rapids when the customer is asking for explanations on the readiness to serve charge. He would like to understand this better so he can better explain these types of things. He thinks they may get more phone calls on their end when the call center goes in. Eric DeLong wonders why these calls are being referred to customer communities. That is a question we should be able to answer for our customers. Joellen Thompson and Eileen Pierce will follow up to see why this is happening and work on this.

Mike DeVries indicated he would like to know more about systems financing so he understands it better and can explain it better. Eric DeLong noted that we can do a review of system financing at the next meeting.

**12. Next Meeting:**

Bill Cousins has invited the UAB to come to the Wisner Center in Cascade Township on Thursday, October 18.

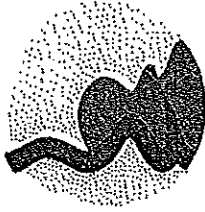
**13. Adjournment:**

The meeting was adjourned at 9:05 a.m.

/nlm

40

WATER  
SYSTEM



# CITY OF GRAND RAPIDS

November 18, 2011

Mr. Michael DeVries  
Supervisor  
Grand Rapids Charter Township  
1836 East Beltline NE  
Grand Rapids, MI 49525-4594

Dear Michael:

We are beginning our capital budget planning for the period July 1, 2012, through June 30, 2017. This process involves identifying projects within our service area, estimating the costs of those projects, and prioritizing them within the five-year time frame and the availability of water and sewer system resources.

The following table estimates the impact on your community's rates for each \$100,000 and \$500,000 worth of the City of Grand Rapids participation in watermain and service main projects located in and serving your community exclusively. Please note that these estimates reflect the impact of depreciation and return on system investment only.

<u>WATER</u>		<u>SEWER</u>	
\$100,000	0.298%	\$100,000	0.286%
\$500,000	1.491%	\$500,000	1.432%

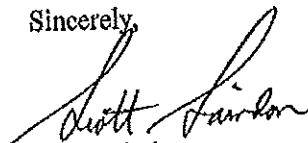
Please assist us by identifying any specific projects that your community will be requesting the City of Grand Rapids to participate in financing over the next five years. It is very important that you submit projects you intend to finance through the system at this time, as mid-year submissions are difficult to honor. Also, please note that if your request excludes projects requested in previous years for the period July 1, 2012 through June 30, 2016, the assumption made during review is that the project is no longer required and it will be deleted from inclusion in the five year capital budget plan.

Mr. Michael DeVries  
Page 2  
November 18, 2011

Please return any requests to me at 1900 Oak Industrial Drive, NE, Grand Rapids, MI, 49505, by December 15, 2011. Your timely input is appreciated and will assist us with the systems' long-term planning and budgeting.

If you have any questions please call me (456-3269) or Linda Wagenmaker (456-3137).  
Thank you for your assistance.

Sincerely,



Scott Saindon  
Financial Analyst

SS

cc: Eric DeLong  
Scott Buhner  
Joellen Thompson  
Mike Lunn  
Wayne Jernberg  
Chuck Schroeder  
Linda Wagenmaker

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IMPACT OF SYSTEM FINANCED PROJECTS (PHYSICAL LOCATION):

	WATER		SEWER		TASK 25- 2011 FINAL RS NET REV REQUIREMENTS		CASH CONTR		TASK 25- 2011 FINAL RS REV REQUIREMENTS	
	\$	%	\$	%	500,000	500,000	WATER	SEWER	WATER	SEWER
SYST. FINCING										
GRAND RAPIDS	0.026%	0.130%	0.021%	0.103%	\$ 25,186,528	\$ 34,445,744				
WALKER	0.197%	0.985%	0.146%	0.732%	3,321,121	4,869,237				
KENTWOOD	0.150%	0.752%	0.202%	1.010%	4,351,159	3,527,983				
CASCADE	0.208%	1.038%	0.339%	1.695%	3,152,839	2,102,888				
GR TOWNSHIP	0.298%	1.491%	0.287%	1.436%	2,194,992	2,481,469		7,200		
TALLMADGE	4.770%	23.852%	2.684%	13.418%	137,168	265,583	8,038	9,720	145,206	275,303
WRIGHT	NA	NA	2.736%	13.680%	NA	260,486		5,000	NA	265,486
EAST GR	0.688%	3.491%	0.955%	4.776%	937,189	746,122			937,189	746,122
ADA	0.487%	2.434%	0.592%	2.961%	1,343,920	1,203,667			1,343,920	1,203,667
OTTAWA CO.	0.559%	2.798%	NA	NA	1,169,450	NA			1,169,450	NA
GAINES	NA	NA	4.527%	22.634%	NA	157,442			NA	157,442
<b>SYSTEM</b>	<b>0.016%</b>	<b>0.078%</b>	<b>0.014%</b>	<b>0.071%</b>	<b>\$ 41,794,366</b>	<b>\$ 50,080,621</b>	<b>\$ 8,038</b>	<b>\$ 21,920</b>	<b>\$ 41,802,404</b>	<b>\$ 50,082,541</b>

R.O.I  
DEP YRS

5.210%  
75

5.127%  
50

IMPACT (AMT) OF SYSTEM FINANCED PROJECTS:

	<u>WATER</u>	<u>SEWER</u>
SYST. FINC'ING	\$ 100,000	\$ 100,000
<i>Calculate Est Rev Inc for amts above:</i>		
Return on Investment	\$ 6,210	\$ 5,127
Depreciation	1,333	2,000
Total Increase- Amount	<u>\$ 6,543</u>	<u>\$ 7,127</u>

2011 <u>FINAL</u> RS		
REV REQUIREMENT FACTORS		
	<u>WATER</u>	<u>SEWER</u>
R.O.I	5.210%	5.127%
DEP YRS	75	60
Note: Change Depr. Yrs as appropriate if project not WM / SERVMN		

GR Jump

<u>6,543</u>	<u>7,127</u>
2,194,992	2,481,469

Rate Incr (est)

.298%      .287%

IMPACT (AMT) OF SYSTEM FINANCED PROJECTS:

	<u>WATER</u>	<u>SEWER</u>
SYST. FINC'ING	\$ 100,000	\$ 100,000
<i>Calculate Est Rev Inc for amts above:</i>		
Return on Investment	\$ 5,210	\$ 5,127
Depreciation	3,333	3,333
Total Increase- Amount	<u>\$ 8,543</u>	<u>\$ 8,460</u>

2011 <u>FINAL</u> RS		
REV REQUIREMENT FACTORS		
	<u>WATER</u>	<u>SEWER</u>
R.O.I	5.210%	5.127%
DEP YRS	30	30
Note: Change Depr Yrs as appropriate if project not WM / SERVMN		

GR Incp	<u>8,543</u>	<u>8,460</u>
	2,194,992	2,481,469
Rate Incr (Est.)	.389%	.341%

2011 FINAL RATE STUDY - IMPACT OF SYSTEM FINANCED PROJECTS (ZONEGATED): \*

TASK 25

SYST. FINC'ING	WATER		SEWER		NET REV REQUIREMENTS	
	\$ 100,000	\$ 500,000	\$ 100,000	\$ 500,000	WATER	SEWER
GRAND RAPIDS	0.041%	0.207%	0.032%	0.161%	\$ 25,186,528	\$ 34,445,744
WALKER	0.314%	1.570%	0.228%	1.139%	3,321,121	4,869,237
KENTWOOD	0.240%	1.198%	0.315%	1.573%	4,351,159	3,527,983
CASCADE	0.331%	1.654%	0.528%	2.638%	3,152,839	2,102,888
GR TOWNSHIP	0.475%	2.376%	0.447%	2.236%	2,194,992	2,481,469
TALLMADGE	7.603%	38.017%	4.178%	20.890%	137,168	265,583
WRIGHT	NA	NA	4.260%	21.299%	NA	260,486
EAST GR	1.113%	5.564%	1.487%	7.436%	937,189	746,122
ADA	0.776%	3.880%	0.922%	4.609%	1,343,920	1,203,667
OTTAWA CO.	NA	NA	NA	NA	1,169,450	NA
GAINES	NA	NA	NA	NA	NA	157,442

\* Impact when physically located in another community and then zonegated; therefore, higher return on investment.

R.O.I	9.096%	9.096%
DEP YRS	75	50
R.O.I- 20 Bonds	4.596%	4.596%
R.O.I- Premium	4.500%	4.500%
	<u>9.096%</u>	<u>9.096%</u>

**Area Community Service Employment Training Council (ACSET)**  
**Water/Sewer Assistance - ICBAP**  
**Third Quarter - July 1 through September 30**

	<u>2012</u>	<u>2011</u>
<b>City of Grand Rapids</b>		
Grant Amount Authorized	\$ 167,859.00	\$ 158,006.00
First Draw	(80,000.00)	(80,000.00)
Second Draw	(87,859.00)	(78,006.00)
Unused Balance	<u>\$ -</u>	<u>\$ -</u>
<b>ACSET</b>		
First Draw	\$ 80,000.00	\$ 80,000.00
Used 1/1-3/31	(92,863.98)	(15,699.84)
Admin. Fee 1/1-3/31 (10% of first draw)	(8,000.00)	(8,000.00)
Available Balance	<u>\$ (20,863.98)</u>	<u>\$ 56,300.16</u>
Second Draw	<u>\$ 87,859.00</u>	<u>\$ 78,006.00</u>
Available Balance	\$ 66,995.02	\$ 134,306.16
Used 4/1-6/30	\$ (58,046.73)	\$ (72,971.46)
Admin. Fee 4/1-6/30 (10% of second draw)	(8,778.66)	(7,800.60)
Available Balance	<u>\$ 169.63</u>	<u>\$ 53,534.10</u>
Used 7/1-9/30	\$ (169.63)	\$ (48,609.40)
Admin. Fee 7/1-9/30	\$ -	\$ -
Available Balance	<u>\$ 0.00</u>	<u>\$ 4,924.70</u>
Total Water Client Assistance	\$ 151,080.34	\$ 137,280.70
Total Admin. Fee Paid	16,778.66	15,800.60
Total Grant Used	<u>\$ 167,859.00</u>	<u>\$ 153,081.30</u>

**Demographic Summary for 3rd Quarter**

Total Households Served	1	175
Total Persons Served	3	586
Average Household Size	3	3.3
No. of Single Head of Family	1	92
Average Request Amount	\$169.63	\$277.77
Failed Screening Process	N/A	32
Denied After Completed Process	N/A	0

**Households by Jurisdiction for 2nd Quarter**

Grand Rapids	1	168
Cascade Township	0	2
Grand Rapids Township	0	0
Kentwood	0	0
Tallmadge Township	0	4
Walker	0	1
Wright Township	0	0

During the 3rd quarter, 294 clients requested assistance with their past due/disconnected water accounts that ACSET was not able to assist due to lack of funding.

Water/Sewer UAB Report  
September 2012

Project Name	Contractor	Award Date	Substantial Completion Date	Final Completion Date	Water Fund Authorized NTE Amt	Sewer Fund Authorized NTE Amt	Est. Year for Rates	Integrated (Y/N)
Disconnection of Private Footing Drains and Installation of Sump Pumps and Backwater Valves at Various Locations - 2012-2015	Alternative Mechanical, LLC and McDonald Plumbing, Inc.	9/1/12	N/A	09/11/15	\$ -	\$ 200,000.00	2014	O&M

9

10e

Good Afternoon Everyone,

This invitation is extended to the Utility Advisory Board members and alternates.

The Michigan Municipal Risk Management Authority (MMRMA) is sponsoring a free training session titled "Sewer Back Ups: A Practical Guide to Public Act 222" on **Wednesday, October 24, 2012, 9:00 a.m. – 12:00 noon, with lunch to follow, at Room 3043 of the GRPD, One Monroe Center.** A course description is included at the end of this email invitation. If you or members of your department plan to attend this training please contact Sue Kramer via email at [skramer@grcity.us](mailto:skramer@grcity.us) or call 456-4670 by Monday, October 8, 2012. Sue will need to know how many people plan to attend for lunch orders and also to then extend this training to other member municipalities up to allowable seating. Thank you for your continued support of Risk Management and have a safe day.

Craig Coulson  
Risk Manager

### **Sewer Back Ups: A Practical Guide to Public Act 222**

This **half-day** workshop sponsored by MMRMA's DPS Advisory Committee, is designed to update municipal employees on Public Act 222, which clarifies municipal liability for sewer backups. Public Act 222 went into effect on December 21, 2001, and amends the Michigan Governmental Immunity Statute to limit the liability of governmental agencies for sewer backups. It also establishes process for affected persons seeking compensation for such events.

PA 222 abolishes common law exceptions to governmental immunity, including the trespass nuisance doctrine, and provides the sole remedy for damages or injuries caused by a sewer backup or basement flooding. As a result, municipalities are now subject to tort liability for overflow or backup of a "sewage disposal system" only if the provisions of PA 222 are satisfied.

Topics to be covered are:

- Enactment of Public Act 222, or how PA 222 applies in everyday course of business - notice requirements by claimants and public agencies, time limits for making claims, and waiting periods for filing lawsuits.
- Handling a run-of-the-mill sewer backup claim - notice requirements applied in real time, investigation of the incident including potential defenses, and what is and is not a sewage disposal system event under PA 222.
- Dealing with a large-scale sewage disposal event - political, public relations, and legal ramifications of a catastrophic loss.

Money

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S&P 500 1,436.91 ▲ +4.07

as of 09:58 AM

Water costs getting more expensive

A USA TODAY survey of 100 municipalities found residential water bills in at least one in four places have doubled in the past 12 years:

0 -- 37%

38% -- 70%

71% -- 89%

90% -- 129%

130% -- 233%

Comparing utility costs

Sources: Black & Veatch, Rafelis Financial Consultants and USA TODAY research of municipal water data; Energy Information Administration, Bureau of Labor Statistics, and USA TODAY research

By Kevin A. Kepple, Denny Galner, Joan Murphy, Doug Carroll, Kevin McCoy, Oliver St. John and Tom McGarrity, USA TODAY

You must rotate your device to view this presentation.

# USA TODAY analysis: Nation's water costs rushing higher

By Kevin McCoy, USA TODAY

Updated 9/27/2012 10:27 PM

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While most Americans worry about gas and heating oil prices, water rates have surged in the past dozen years, according to a USA TODAY study of 100 municipalities. Prices at least doubled in more than a quarter of the locations and even tripled in a few.

Consumers could easily overlook the steady drip, drip, drip of water rate hikes, yet the cost of this necessity of life has outpaced the percentage increases of some of these other utilities, carving a larger slice of household budgets in the process.

"I don't know how they expect people to keep paying more for water with the cost of gas and day care and everything else going up," complains Jacquelyn Moncrief, 60, a Philadelphia homeowner who says the price hikes would force her to make food-or-water decisions. She gathered signatures on a petition opposing a proposed water rate increase in her city this year.

Robert Deutsch, USA TODAY

Fairmount Dam on the Schuylkill River in Philadelphia. The river is the source of much of the city's drinking water.

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VIDEO: Water bills rising quickly in the USA

USA TODAY's study of residential water rates over the past 12 years for large and small water agencies nationwide found that monthly costs doubled for more in 29 localities. The unique look at costs for a diverse mix of water suppliers representing every state and Washington, D.C. found that a resource long taken for granted will continue to become more costly for millions of Americans. Indeed, rates haven't crested yet because huge costs to upgrade or repair pipes, reservoirs and treatment plants loom nationwide.

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In three municipalities — Atlanta, San Francisco and Wilmington, Del. — water costs tripled or more. Monthly costs topped \$50 for consumers in Atlanta, Seattle and San Diego who used 1,000 cubic feet of water, a typical residential consumption level in many areas. Officials in the three municipalities and elsewhere, however, say actual consumption is often lower. But conservation efforts counter-intuitively may raise water rates in some localities.

The trend toward higher bills is being driven by:

-- The cost of paying off the debt on bonds municipalities issue to fund expensive repairs or upgrades on aging water systems.

-- Increases in the cost of electricity, chemicals and fuel used to supply and treat water.

**About this report**

**How project was done**

To document the rising cost of drinking water, USA TODAY started by obtaining periodic municipal water-cost surveys conducted since 2000 or 2001 by Black & Veatch and Reftellis Financial Consultants, private firms that advise water agencies on financial issues. USA TODAY verified those companies' data with each municipality and also gathered 2012 costs from the localities. Reporters then independently collected the same information from dozens of other municipalities to cover 100 in all,

spanning all 50 states and Washington, D.C.

**More about the data**

Local water costs vary widely because of geography, climate, population, a water company's borrowing costs and other factors. That makes it virtually impossible to compare one city's water costs to another's. For its survey, USA TODAY defined a typical household as one using roughly 7,500 gallons (1,000 cubic feet) a month and having a meter size of about 5/8 inch, or the closest equivalent. Actual average consumption may vary. Weighted averages were used for locations where rates change seasonally. The percentage change in rates shown is based on the change from 2000 or 2001, depending on the location.

-- Compliance with federal government clean-water mandates.

-- Rising pension and health care costs for water agency workers.

-- Increased security safeguards for water systems since the 9/11 terror attacks.

**Higher rates still ahead**

The costs continue to rise even though residential water usage dropped sharply nationwide in the past three decades amid conservation efforts.

**U.S. water systems will need as much as \$1 trillion in**

infrastructure improvements by 2035 to keep up with drinking water needs, according to a survey of industry experts released in June.

The bond debt needed to fund those projects' work will be passed on to consumers, including the many Americans struggling with the economic fallout of the great recession.

A virtually irreplaceable resource that Americans rely on for health and daily living "could potentially get more and more expensive," says John Chevrette, who heads the management consulting arm of Black & Veatch, the firm that conducted the industry survey.

He predicts rate increases of 5% to 15% every few years, saying the cost of water "could take a larger and more significant bite out of otherwise disposable income."

"You're talking about greater than inflationary costs," says Doug Scott, managing director for Fitch Ratings, which similarly projects 5% annual rate increases among the many water and sewer agencies his company tracks.

Some water agencies, including Philadelphia, have special water programs to help cut costs for those with low incomes. Even so, the economic forecasts frighten Moncrief, a single mother who bought her home in Philadelphia's Mount Airy neighborhood decades ago, and now lives there on a disability income.

The monthly cost of 1,000 cubic feet of water in her hometown has jumped 164%, to \$39.22, since 2001. Even when the costs were lower, Moncrief says at times she had to work out installment payments with the Philadelphia Water Department.

Testifying at a July hearing in an ongoing water rate increase proceeding, Ruth Bazemore said she and other Philadelphia senior citizens were astounded that the city's water commissioner proposed hikes that would "increase our bills by almost 30% in less than three years."

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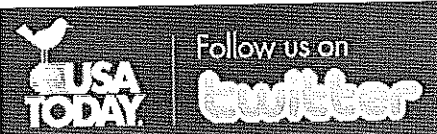
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Community opposition prompted a tentative settlement that would save consumers at least \$80 per year from the ultimate cost of the city's original proposal, says Robert Ballenger, a Community Legal Services attorney who represents the public in the Philadelphia rate hike proceeding.

Bazemore, a representative of the Action Alliance of Senior Citizens of Greater Philadelphia, says even a lower increase "would be difficult for a lot of people to pay."

Efforts to compare water costs of any given area with another produce misleading or even false results, because of differences in population, geography, geology, bonding debt for infrastructure work and other variables. However, what most water agencies across the nation share is increasing costs that make higher bills all but inevitable.

In Baltimore, where water costs are up 140% since 2001, the public works agency in the last decade completed a \$85 million upgrade of the water system's Ashburton Filtration Plant.

After a series of major water main breaks in 2009, the city made plans to speed the pace of pipe cleaning, relining and rehabilitation work to 40 miles per year, a five-fold increase. The cost? About \$300 million over five years, says agency spokesman Kurt Kocher.

At the same time, Baltimore, like water systems nationwide, was forced to implement costly security upgrades at its facilities. "It's not the world of 1990. It's the post-9/11 security world we have to deal with," says Kocher.

#### **'A race against time'**

In San Francisco, the monthly cost of 1,000 cubic feet of water jumped nearly 211% since 2001 as the city's regional water system ended a seven-year rate freeze and began a massive, five-year infrastructure improvement program.

Harlan Kelly Jr., the system's assistant general manager for infrastructure, says the work was vital because the freeze had left little funding for expanding and strengthening the system that serves more than 30 cities and 2.6 million people in the Bay Area.

A 2002 city economic study warned that the Bay Area would suffer a \$30 billion economic hit if an earthquake severely disrupted the water network for two months. The California Division of Safety of Dams delivered an even more immediate warning in 2001, deeming the Calaveras Dam seismically unsafe. That forced the San Francisco Public Utilities Commission to drain the reservoir created by the dam to a third of its normal level, significantly reducing the system's water storage.

"I think everyone realized this work was needed," says Kelly. "It's a race against time. Here in California, it's not if, it's when" the next major earthquake will hit.

Consumers have little choice but to pay for infrastructure improvements and repairs to the nation's often aging water systems, says Scott, the Fitch Ratings executive.

If they don't, water mains and other parts of the systems "will break, and the breaks will be catastrophic. It would be the equivalent of somebody not replacing their water heater when it is leaking, and then having it fall from the attic and tear up their entire house."

Municipal water systems typically fund major repairs and other infrastructure work by issuing bonds that are repaid over time. The annual cost of paying off debt servicing those bonds is passed on to consumers in higher rates.

The financial impact is already being felt. Fitch Ratings showed water agencies' debt per customer rose from \$1,012 in 2006 to \$1,611 in 2011.

Diane Clausen, a Seattle Public Utilities official, says her agency has outpaced many other municipal water suppliers by working to place protective coverings over reservoirs, building a filtration plant on one major water source and installing an ultraviolet treatment facility on another major source.

"We've pretty much done our major capital projects," says Clausen. "The debt service on those are included in the rates that our customers pay, so the rates for us, we believe,

would tend to be higher than the rates for other utilities that aren't as far along in their infrastructure development."

Similarly, Atlanta officials say their rates — up 233% since 2001 for monthly usage of 1,000 cubic feet of water — partly result from \$1.3 billion in spending to upgrade the city's water supply system in compliance with federal clean water mandates.

#### **Conserving, yet costs still rise**

Unique geographic conditions and other circumstances can also raise costs. In Augusta, Maine, the monthly cost of 1,000 cubic feet of water has topped \$40 since 2000. That's partly because the city has a small base of approximately 5,800 mostly residential customers and lacks major industrial customers that would help share the cost, says Brian Tarbuck, general manager of the Greater Augusta Utility District.

"Coupled with our 10 storage tanks, deep frost conditions — pipes are literally 'six feet under' to avoid freezing — low (number of) customers per mile of pipe and lots of granite and hills, it gets expensive," says Tarbuck.

U.S. homeowners who reduce their water consumption in an effort to save money can cut their costs. But they may end up raising the rates they're charged. Why? Because water suppliers collect less income as consumption drops, but ongoing costs -- such as bonding debt, salaries and chemicals -- either increase or, at best, remain stable.

A 2010 report by the Water Research Foundation, a non-profit organization that studies drinking water issues, concluded that residential usage per customer dropped more than 380 gallons annually in the last 30 years, a changing era when conservation became more prevalent. Compounded over time, the report says the trend implies that a customer would have used 11,673 fewer gallons in 2008 than an identical customer in 1978, a 13.2% decline.

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As a result, many water agencies have been forced to raise rates.

"When we explain that part of the reason you're paying more is because you're using less, that doesn't go over real well with a lot of people," says Joseph Clare, the Philadelphia Water Department's deputy commissioner for finance and administration.

The 2012 drought that continues to hold roughly half the nation in its grip has also had an impact on some water rates. In March, the Midland, Texas, City Council unanimously imposed a five-fold price increase on water customers who use more than 10,000 gallons per month, which surpasses consumption for a typical family.

In El Paso, the drought cut the city's ability to draw from the Rio Grande River, the source for about half the area's water. To help make up for the loss, El Paso Water Utilities for about 15 days in late May and early June ran its water desalination plant at its full 27.5 million gallons-per-day capacity, making brackish groundwater fit for drinking, said Christina Montoya, an agency spokeswoman.

"This is the first time that's ever happened," she said.

Although Scott and others expect increases in water costs around the nation to remain both regular and high, the good news is that the dollar costs are still relatively low in many municipalities.

"It's going to be a pretty good bargain for the foreseeable future," Scott says.

Try telling that to Americans hard pressed by the still sluggish economy, including low-income residents and senior citizens living on fixed incomes.

#### **Something has to give**

Philadelphia homeowner Moncrief, who delights in watering her garden into bloom, says she understands her city's water agency faces higher costs for water system projects. That includes the \$50 million construction of a 5-million-gallon storage tank to prevent storm sewers from overflowing into the Schuylkill River— source of about 42% of local drinking water.

But she says higher rates — even those under the tentative compromise in the Philadelphia water rate increase proceeding — would make it harder for her to pay "my medical costs ... co-pays for medication," upkeep of her home, even food.

"It's been quite stressful just trying to budget. How am I going to maintain all these things on a fixed income that's not going to increase?" said Moncrief, who adds that she's cut back on hot baths and takes shorter showers.

Responding to that type of consumer concern, some municipalities have tried to limit or delay rate increases. For instance, Antioch, Calif., officials in May opted to defer some capital spending and use the savings and other measures to delay previously announced plans for an 8% water rate increase.

Clare, Philadelphia's deputy water commissioner, notes that his agency held rates stable from 1993 until 2001. But, ultimately, costs had to go up to maintain crucial water supply and delivery systems, he says.

"It's going to be a hardship for me; I think it's going to be a hardship for a lot of people," says Moncrief. "But there's a greater sense of hope and possibility . . . when you know the increase is not going to be as high" as originally proposed.

"I may not be able to eat meat five days a week, but maybe I can eat meat three days a week."

Contributing: Oliver St. John, Tom McGarrity

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