

City of Raleigh

Budget Note 02

* This note requires Council action.

INTEROFFICE MEMORANDUM

June 1, 2015

MEMO TO: Ruffin Hall, City Manager
FROM: Kenneth Waldroup, Assistant Public Utilities Director
SUBJECT: Budget Note 02 – Watershed Protection Revenue: Proposed Fee Increase

Background

Since 2005, the City has partnered with other local governments and land trusts to protect the source water of Falls Lake. Through the voluntary Watershed Protection Program, an investment of \$5.6 million from the City has helped permanently protect approximately 3,600 acres and 44 miles of stream valued at \$47 million. These conservation lands protect the City's critical drinking water supplies by preventing excess nutrients and sediment from reaching Falls Lake and Lake Benson.

In March of 2014, the Watershed Protection Taskforce, appointed by City Council, was asked to review the Public Utilities' Watershed Protection Program and provide recommendations for any potential modifications to the program. After six months, the Watershed Protection Taskforce submitted a final report to City Council, on September 16, 2014, and the taskforce Chair (Mr. Hardin Watkins) provided a brief summary presentation to City Council during the evening meeting session on October 7, 2014. The six person task force recommended a rate increase to support additional program projects with one dissenting vote. The task force proposed and considered several options for increases and supported the \$0.05 increase per 1,000 gallons used in order to help fund additional land projects, innovative projects, and the expansion of the program to all of the City's active drinking water supply watersheds.

Council Action

Council deferred action on the final recommendation of the Task Force to increase the watershed protection fee and asked that this increase be brought forward at the Budget Work Session. Staff presented the increase at the February 16, 2015 work session where Council deferred action on the rate increase to the Watershed Protection Fee to allow time to review the record. At the March 3rd 2015 Council Meeting, Council recommended to hold the item for a budget note during the budget hearings in June.

Proposed Budget

The Watershed Protection fee is proposed to be increased from \$0.10 per 1,000 gallons to \$0.15 per 1,000 gallons. This would raise the average 5 CCF customer's bill from \$0.37 per month to \$0.56 per month for watershed protection, an increase of \$0.19 per month. The average residential customer would pay \$2.28 more a year for the increase. The fee increase would generate an estimated \$750,000 of additional revenue, bringing the total annual funding to approximately \$2.25 million (Table 1).

The proposed increase will support further program expansion into the Swift Creek Watershed, which was recommended by the Task Force and supported by Council on November 5th, 2014. The additional funds also could help acquire a proposed 1,000 plus acre tract (valued at \$8 million) adjacent to Falls Lake and support other innovative projects in the drinking water supply watersheds. The increase would be the first time the fee has been raised since its inception.

Table 1: Fee Request Overview

	Current Rate	Proposed Rate
Fee per 1,000 gallons	\$0.10	\$0.15
Average residential monthly bill (5 CCF)	\$0.37	\$0.56
FY16 Watershed Protection Fee Budget	\$1.5 million	\$2.25 million

Council approval of this fee increase would result in the following changes to the FY16 Budget:

Watershed Protection Fee Fund

Increase Revenue:

313-0000-529770-000 Watershed Protection Revenue \$750,000

Increase Expense:

313-0000-873200-000 To Water Capital Projects Fund \$750,000

Water Capital Projects Fund

Increase Revenue:

320-0000-553120-000-CIP01-79990010 From 313 Watershed Protection \$750,000

Increase Expense:

320-5210-737010-73731-CIP01-99370000 Watershed Initiatives \$750,000