

Report to the Mayor



Water Solution Task Force

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Executive Summary

During the fall of 2009 a significant number of residents in Mecklenburg County began complaining about high water bills. In response to a myriad of complaints regarding high bills, unresponsive and dismissive behavior by the utility, and a large number of unexplained spikes in usually predictable billings, the Mayor of Cornelius appointed this Task Force in order to seek explanations and offer recommendations to the Mecklenburg County Utilities Department (CMUD) and the City Council of Charlotte.

The report that follows offers significant detail and fact-based analysis addressing the issues at the heart of customer dissatisfaction and the rising level of distrust of the utility's management. The report offers the following major findings:

- For many years CMUD has employed a questionable business model that provided very low water & sewer rates to its lower usage customers. It did so by passing costs through higher rates to those customers who use more heavily. This placed the utility in a vulnerable position as it became significantly more reliant upon those heavier users for reliable and adequate revenue.
- The drought of 2008 together with watering restrictions adversely affected revenue flow and required CMUD to find ways to increase revenues and maintain its credit rating.
- In reaction to revenue loss, CMUD's internal pricing decisions further weaken its revenue model by collapsing its tier structure thereby, shifting the financial burden to families with higher water usage. Relying upon higher users did little to secure a strong financial base and placed the utility in further jeopardy as higher level users could and did reduce usage.
- CMUD is aggressively seeking to expand its service base through a comprehensive Capital Improvement Plan that will add significant debt to its business model. Currently, debt service exceeds \$135 million on a total debt of \$ 1.1 billion. This debt cannot be sustained or future expenditures covered without continued rate increases.
- For a number of reasons, the utility is required to expend funds to support community development and public service projects for which it receives no reimbursement. This places the utility in a position of having to pay for projects that do not directly help existing customers.
- CMUD's customer service policies have created an adversarial environment with much of its customer base. Due to the threat of discontinued service, customers in many cases felt powerless to dispute or refuse to pay large bills.
- CMUD has long known that it was experiencing an excessive number of transmitter problems that resulted in billing discrepancies, yet it did little to address the problem in a comprehensive manner. The Task Force believes that these transmitters are a major contributing factor for spiked or high bills. These transmitters can under-report usage for months then catch up resulting in significantly spiked bills.
- CMUD lacks a comprehensive water audit program to investigate the causes of spikes and disputed water bills. Water audit procedures are proposed in this report. The Task Force believes that absent such an audit program a moratorium on water shut-offs should be in place into effect when water bills are contested and investigated.
- It is critical that the Charlotte City Council together with CMUD managers return its tier billing structure to pre-drought structure of just three tiers and address the issue of more fairly spreading the cost of water and sewer service to its entire customer base.