

A - TYPICAL RESIDENTIAL BILL – COMPARISON WITH OTHER CITIES

Purpose

Informational report on current City of Salem utility rates compared to those of other cities in the area.

Summary

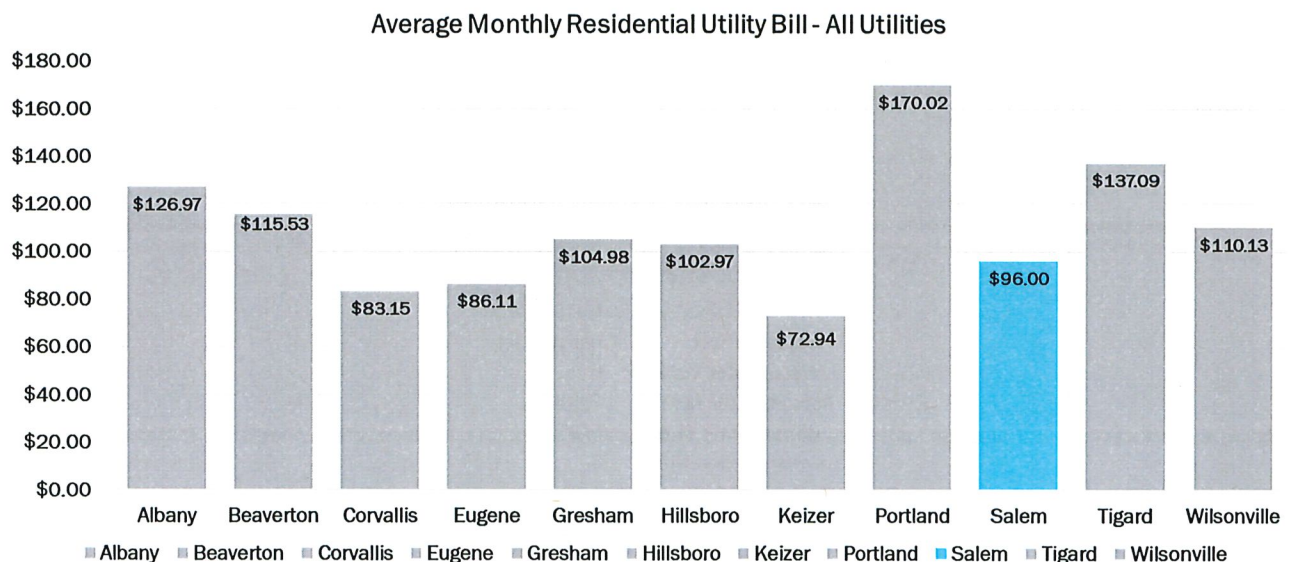
Each rate setting cycle, the City of Salem collects information on the utility rates for other communities to compare bills for a typical residential customer. Billing practices vary from community to community, and it can be challenging to develop a direct comparison. The information provided focuses on standardizing the comparison for water, wastewater and stormwater fees, including associated franchise fees, and excluding any operating or other fees. Many communities, including Salem, bill for additional services on the utility bill, such as a backflow assembly or an operating fee to support parks, transportation, or other services.

Discussion

A typical single-family residential customer in 2022 with the following characteristics will receive a \$96.00 monthly bill for water, wastewater, and stormwater services:

- a 5/8 inch water meter
- 8 units or 5,984 gallons of water
- 6 units of sewer
- 2,800 square feet of impervious area

Compared to the ten other communities listed in the table below, Salem would be somewhere in the middle, less than seven and more than three.



The following table stratifies the customer costs by utility service comparing monthly water, wastewater, stormwater, and total utility bills in Salem and the other cities. Tables are ranked by cost, and the current City of Salem rates are highlighted in blue. When examining each utility service individually, Salem's current monthly water and wastewater are relatively low in comparison to other communities.

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Monthly stormwater charges are higher compared to most of the identified communities, primarily due to the rate structure adopted as part of the original program. Two-thirds of the residential rate is a fixed/per account charge that recovers costs associated with street sweeping and public parking from all customers.

Monthly Residential Bill Comparison by Utility Type and Total Monthly Charge

Water	Wastewater	Stormwater	TOTAL Charges
Tigard \$ 73.04	Portland \$ 72.30	Portland \$ 31.25	Portland \$ 170.02
Portland \$ 66.47	Albany \$ 59.09	Salem \$ 19.87	Tigard \$ 137.09
Beaverton \$ 57.62	Wilsonville \$ 55.24	Eugene \$ 15.45	Albany \$ 126.97
Albany \$ 55.97	Tigard \$ 48.80	Tigard \$ 15.25	Beaverton \$ 115.53
Gresham \$ 52.60	Hillsboro \$ 47.88	Gresham \$ 14.86	Wilsonville \$ 110.13
Wilsonville \$ 42.99	Beaverton \$ 46.08	Hillsboro \$ 12.59	Gresham \$ 104.98
Hillsboro \$ 42.50	Keizer \$ 44.07	Albany \$ 11.91	Hillsboro \$ 102.97
Salem \$ 35.35	Salem \$ 40.78	Wilsonville \$ 11.90	Salem \$ 96.00
Corvallis \$ 33.04	Corvallis \$ 40.25	Beaverton \$ 11.83	Eugene \$ 86.11
Eugene \$ 32.70	Eugene \$ 37.96	Corvallis \$ 9.86	Corvallis \$ 83.15
Keizer \$ 20.43	Gresham \$ 37.52	Keizer \$ 8.45	Keizer \$ 72.94
Average \$ 46.61	Average \$ 48.18	Average \$ 14.84	Average \$ 109.63

A typical residential customer in Salem with this usage pattern will receive a bill with the fixed and variable components for each utility service, a backflow fee if applicable, and associated franchise fees. Base fees are fixed and do not vary with the amount of water consumed or wastewater collected. Volume fees reflect the cost for water consumption and sewer volume based on water use from November through February. Impervious Area fee is based on square footage of impervious area on the parcel.



Utility Bill Estimator

Account Class: Residential
Wastewater Volume: 6
Stormwater Area: 2,800
Water Meter Size: 5/8"
Consumption Units: 8

Bill Estimates	2022
Water	
Volume	\$21.60
Base Fee	\$12.07
Wastewater	
Volume	\$22.92
Base Fee	\$15.92
Stormwater	
Impervious Area	\$6.70
Base Fee	\$12.22
Backflow	
Franchise Fee	\$4.57
Total	\$96.00

Purpose

This report is provided to share information regarding the financial impacts the pandemic on Utility revenue.

Background

There have been four main pandemic-related impacts to utility revenue:

- decline in water sales related to closures (estimated \$1,215,000),
- deferral and eventual non-payment of accounts on the 12-month payment plan (\$954,000),
- funding for Emergency Utility Assistance Program (\$500,000), and
- replacement revenue received through the federal government (\$2,572,000).

All of these factors and assumptions are incorporated into the financial planning model to be presented during the revenue slope discussion.

Water Sales

In FY 2019, customers inside the City of Salem purchased over 864 million cubic feet of water. By FY 2020, total volume sold had declined by 5.3 percent to 819 million cubic feet. Although overall consumption increased in FY 2021 and has remained relatively stable in FY 2022, the reduced volume in 2020 was a permanent loss of an estimated \$1.2 million.

Cubic Feet of Water Sold

Customer Class	FY 2019	FY 2020	FY 2021	Est. FY 2022	Change 2019 to 2022
Residential	401,287,800	378,390,800	419,035,900	410,952,583	2.4%
Multiple Dwellings	170,829,500	168,313,700	180,171,500	184,524,273	8.0%
Irrigation	50,594,400	39,057,000	46,315,300	46,112,680	-8.9%
Commercial	139,221,000	133,182,300	133,861,100	143,218,846	2.9%
Industrial	43,458,000	38,857,700	37,454,200	33,214,787	-23.6%
Institutional	41,953,900	45,934,100	38,699,800	35,786,330	-14.7%
Public Building	16,989,300	15,099,600	12,047,300	12,562,942	-26.1%
Total Inside City	864,333,900	818,835,200	867,585,100	866,372,440	0.2%
Percent Change		-5.3%	6.0%	-0.1%	

Recent experience with individual customer classes varies. Single-family residential, multi-family, and commercial have all returned to more typical use. Consumption for industrial, institutional, and public buildings continues to lag. Reduction in industrial consumption reflects changes in customer accounts and movement away from higher water users. The institutional class includes Corban University, Hillcrest, Oregon State Hospital, and Oregon State Corrections accounts. The Public Building class includes State of Oregon, Marion County, and federal government facilities not in the Institutional class and the Salem Keizer School District. Although schools and businesses have reopened, consumption at public buildings remains lower as many state employees continue to work remotely.

Deferred 12-month Payment Plan

As a result of the health and economic impacts of COVID-19, the City of Salem temporarily stopped disconnecting utility services for non-payment on March 13, 2020. On April 27, 2020, City Council expanded provisions of the Emergency Utility Assistance Program to increase the maximum assistance to \$500 per calendar year and allocated an additional \$500,000 of utility funds for assistance to customers qualified through a non-profit partner organization.

In August 2020, Council approved extension of the expanded Emergency Utility Assistance Program changes and approved a reinstatement of enforcement practices for non-payment as early as October 1, 2020. Disconnections were resumed in January 2021 and outstanding balances on accounts previously placed in abeyance were transferred from the City of Salem Utility Billing system to the City's Finance Accounts Receivable system and set up on a 12-month, no interest payment plan.

On December 31, 2021, a total of \$1,364,728 in accounts receivable was transferred from the City of Salem Utility Billing system to Finance Account Receivable. At the time of the initial transfer, a total of \$20,974 was written off as uncollectible, leaving a balance of \$1,343,754. Customers owing a balance were billed in 12 equal monthly invoices beginning February 2021. The invoices were separate, and in addition to, their current monthly utility bills. (Some customers chose to pay off the balance to avoid receiving two bills.)

Non-payment of invoices did not result in a water shut-off, but accounts remaining unpaid for 90 days were referred to the City's collection agency. The first accounts to age were referred to collection in June 2021. This process was repeated monthly until the last of the aged accounts are referred to collections in May 2022. The City of Salem no longer has any receivables for the 12-month payment plan. Any unpaid balances have been or are in the process of being turned over to the collection agency.

After completion of the 12-month billing cycle in March 2022, approximately \$358,000 (29 percent), has been or is expected to be received. The remaining balance of \$954,000 (71 percent) has been or will be referred to collections. This uncollected amount represents approximately 1 percent of annual utility revenue for water, wastewater, and stormwater services.

American Rescue Plan Act (ARPA) Revenue Replacement

The City of Salem is anticipated to receive \$34.1 million of American Rescue Plan Act (ARPA) funding with \$17.7 million of the total identified for revenue replacement. Of the revenue replacement amount, \$2.572 million has been identified for the Utility Fund

Questions have been asked about whether the ARPA funding can be used to pay remaining customer balances on accounts. While it may be a potentially eligible use of funds, the City of Salem has written off all the 12-month payment receivable balances and referred them to collections, so there are no balances remaining at the City of Salem to satisfy. It should be noted that PCS, the collection agency under contract with the City of Salem, shares utility payment information with credit reporting agencies; however, customers will not be prevented from receiving City utility service in the future.

Policy Question

Should the Water/Wastewater Task Force recommend a permanent increase to the maximum assistance provided through the Emergency Utility Assistance Program and increase the annual utility contribution?

Background

For many years, the Emergency Utility Assistance was funded solely with private donations. In 2016, the Water/Wastewater Task Force recommended annual donations be matched with up to \$10,000 of utility revenue, resulting in a roughly one-to-one match.

Applicants for assistance were qualified through St. Vincent DePaul, the Salvation Army, and Mid-Willamette Valley Community Action Agency (MWVCAA). The limit per customer/account was \$150 per calendar year, and, until the pandemic, this assistance level was generally sufficient. In April 2020, City Council responded to the pandemic-induced community need by increasing the Emergency Utility Assistance level to \$500 per customer/account per calendar year. Council also provided a \$500,000 allocation of utility revenue to fund the increased assistance. The \$500 assistance level per customer/account is set to expire December 21, 2022.

Discussion

Assistance program resources have been sufficient during the pandemic. Private donations increased from an average of about \$13,000 per year from FY 2017 through FY 2020 to over \$20,000 in FY 2021. These donations were matched annually by \$10,000 of utility revenue. In April 2020, Council allocated a one-time \$500,000 of utility revenue to fund increased assistance levels, and in 2021, a \$38,000 contribution was received for an assistance pilot program through MWVCAA. Currently, a balance of \$254,000 remains for utility assistance; at the current rate of use, staff anticipates that the assistance fund balance will be depleted by spring 2023.

In the early months of the pandemic, customers received approximately \$8,000 per month in total assistance. More recently, the distributions have grown to \$18,000-\$25,000 per month. The increase in funding distribution is partially driven by growing community awareness and expanded knowledge of the assistance program. Demand has not curtailed, and the current \$500 limit per customer/account is appreciated by customers and the non-profit partners who qualify them.

Options and Recommendation

1. Allow maximum \$500 limit per customer/account to expire December 31, 2022. Continue with \$10,000 of utility revenue to match donations.

Not recommended. Financial impacts of the pandemic continue, and with rising inflation, the \$500 limit remains a much appreciated and well used benefit for those in need. At the current burn rate, funding will be depleted by spring 2023.

2. Modify program requirements to permanently increase maximum assistance to \$500 per customer/account in one calendar year and recommend up to \$300,000 per year in utility funding for assistance programs beginning in January 2023.

Recommended. Due to continuing demand, staff recommends the \$500 limit per customer/account remain in place. With the additional federal funding that was provided to off-set losses experienced by the Utility Fund during the pandemic, staff recommends

programming up to \$300,000 per year for assistance programs in addition to donations beginning in January 2023.

Additional Resources and Contact Information

Additional information on each of the assistance programs and contacts is provided below to help with referrals for assistance.

Payment Arrangements

Customers needing a little extra time to pay their current utility bill may be eligible to set up a payment arrangement that extends the due date for their current charges. Call the Salem Public Works Customer Services Team at 503-588-6099, Monday through Friday, 8 a.m. to 5 p.m. for more information.

Low-Income Household Water Assistance (LIHWA) Program

This is a new federal program available to help households pay their water, sewer, and stormwater bills. To qualify, a household must be at or below 60% of the State Median Income and have a water/sewer/stormwater bill in an adult household member's name. The LIHWA program is administered by Mid-Willamette Valley Community Action Agency (MWVCAA) and is funded with what may be a one-time federal allocation. Qualified clients of MWVCAA, who are also Salem utility customers, may receive up to \$1,000 to pay current or past due amounts or up to \$2,000 if services have been disconnected. Up to \$100 may be used as a stabilization credit for the future. To apply or for more information, contact the Mid-Willamette Valley Community Action Agency at 503-588-9016, Monday through Friday, 8 a.m. to 5 p.m.

Utility Rate Relief Program

The City's Utility Rate Relief Program provides a 30 percent discount off the fixed wastewater rate and exempts accounts from the streetlight and City operating fee. This program is well established and adopted as part of the biennial rate resolution. Customers are qualified for Utility Rate Relief by MWVCAA based on income. Customers 60 and older or disabled, with household income at or below 60% of the State Median Income, may be eligible for a monthly discount on their City of Salem utility bill and garbage bill. Call Mid-Willamette Valley Community Action Agency at 503-588-9016 for more information.

Emergency Utility Assistance Program

Residential customers experiencing a short-term need for payment assistance may be eligible for up to \$500 toward their City of Salem utility bill. Customers are qualified for assistance through St. Vincent DePaul, the Salvation Army, and MWVCAA. Call the Salem Public Works Customer Services Team at 503-588-6099, Monday through Friday, 8 a.m. to 5 p.m. for more information.

Policy Question

Shall the City of Salem continue current reinstatement practices including elimination of the disconnection fee?

Summary

The Public Works Department is committed to providing safe and reliable services to our community, mitigating potentially costly consequences if services are not restored properly or in a timely manner.

Customers who have water services shutoff for nonpayment will have services restored the same day when one of the following occurs:

- Confirmation of payment is received
- A payment plan is approved

Exceptions to same-day reinstatement of service will occur if the customer's meter is locked, or the meter has been pulled. Customers with a locked meter will be reinstated the next business day during business hours, and customers with a pulled meter will be reinstated within two business days during business hours.

The estimated cost of providing this service is between \$30,000 and \$50,000 annually.

Discussion

When the City of Salem declared a state of emergency at the beginning of the pandemic, actions were taken to prevent disconnection of water service to preserve public health and safety. Assistance programs were expanded, and funding was increased recognizing the growing need in the community.

Enforcement practices resumed in October 2020; however, the \$25 disconnection fee was not reinitiated in an effort to avoid penalizing customers struggling to make payments. A certain segment of the customer population earns too much money to qualify for assistance programs and too little to pay all bills incurred monthly and sometimes must choose which bills to pay. For some customers who regularly experience disconnection, this fee is an added burden. All customers must be treated equally regardless of their ability to pay.

The \$25 disconnection fee has been removed from the draft FY 2022-23 Master Fee Schedule for the City of Salem.

Options and Recommendation

1. Modify practice of reinstating services the same day and return to charging the \$25 disconnection fee.

Not Recommended. Customers have come to appreciate the prompt response when enforcement has proceeded to disconnection and restoration of service is required. Sometimes customers do not realize disconnection has occurred until after work and proceed to make a

payment online to have service reinstated. The disconnection fee can be burdensome to those customers already struggling.

2. Maintain current practice of reinstating services the same day when payment has been confirmed or a payment plan is approved. Allow the elimination of the \$25 disconnection fee to proceed to Council for adoption.

Recommended. The City of Salem strives to provide excellent customer service, and when disconnection is necessary and payment is made, it is important to be responsive and restore services. The \$25 disconnection fee does not appear to be a significant deterrent for non-payment or incentive for payment.

Policy Question

Shall the City of Salem increase fees for hauled waste streams in 2022 and 2023 to reflect increasing costs to provide service and remain competitive in the market?

Summary

Fees for the acceptance and treatment of leachate, septage, and domestic sludge were last adopted in 2012, 2016, and 2018, respectively, and have not been increased since. Over the past 10 years, there have been significant increases in the cost of labor and materials to operate the Public Works Waste Processing Facility, wastewater collection system, and Willow Lake Water Pollution Control Facility to provide these services. Consequently, there is a need to increase the current rates to recover costs and provide continued waste transfer and processing services to the community.

A market analysis concluded that the City of Salem would remain competitive in the regional market for hauled waste processing services despite a small, incremental increase in hauled waste fees over the next two years. The additional revenue generated from the fee increases would support proper treatment of domestic waste under an Oregon Department of Environmental Quality-approved wastewater discharge permit. Recommended adjustments to leachate, septage, and domestic sludge acceptance fees are summarized below.

	Current Fee (per gal)	Proposed 2023 Fee (per gal)	Proposed 2024 Fee (per gal)
Leachate	\$ 0.030	\$ 0.035	\$ 0.040
Septage	\$ 0.12	\$ 0.13	\$ 0.14
Domestic Sludge	\$ 0.06	\$ 0.07	\$ 0.08

Discussion

The Public Works Waste Processing Facility on Airway Drive South accepts two types of hauled waste: (1) leachate from Coffin Butte Landfill, and (2) domestic septage from waste hauling services. **Leachate** from Coffin Butte Landfill is a result of the waste degradation process and is formed when rainwater infiltrates through the degrading waste, picking up contaminants as it forms a putrid liquid byproduct. **Septage** waste includes any liquid or solid material removed from septic tanks, cesspools, portable toilets, and similar systems that receive only domestic sewage, as opposed to industrial wastewater. The two types of waste are hauled to the facility in tanker trucks and emptied into the collection system through hoses. The waste flows through the collection system until it reaches the Willow Lake Water Pollution Control Facility where it is treated, and clean water is returned to the Willamette River. **Domestic sludge** is a semi-solid slurry byproduct of the City of Aurora's sewage treatment process and is one of two types of waste that are currently hauled to and accepted directly at the Willow Lake Water Pollution Control Facility (the other is food waste in the form of fats, oils, and grease).

E – NON-RATE WASTE STREAM – PROPOSED FEE ADJUSTMENTS

Leachate Market

The City of Corvallis’ proximity to Coffin Butte Landfill lends itself to be a desired source for leachate disposal, but due to the treatment plant’s limited capacity for accepting and treating leachate, the remaining leachate is trucked 26 miles and disposed of at the City of Salem’s Waste Processing Facility. The next nearest facility accepting landfill leachate is located 156 miles from the landfill in the City of The Dalles. See table below for a comparison of rates and distance from the landfill.

Receiving Agency	Rate (2022)	Distance from Coffin Butte Landfill
City of The Dalles	\$0.050/gal	156 miles
City of Corvallis	\$0.046/gal	10 miles
City of Salem	\$0.030/gal	26 miles

The table below shows the projected revenue that would be gained in 2022 and 2023 from a one-half of one cent per gallon increase in the leachate disposal fee, assuming the same volume received year over year. Over a two-year period, staff estimates that \$232,850 will be gained through this gradual increase in the leachate fee.

Fiscal Year Ending	Projected 2022	Proposed 2023	Proposed 2024
% change in volume from previous year	8%	0%	0%
Leachate (gal)	23,284,979	23,284,979	23,284,979
Cost per gallon	\$ 0.030	\$ 0.035	\$ 0.040
Total Leachate Revenue	\$ 698,549.38	\$ 814,974.27	\$ 931,399.17
Additional revenue from proposed increase		\$ 116,424.90	\$ 116,424.90

Septage Market

Septic haulers can choose from a variety of locations to dump their waste, but usually the most economical disposal sites are those in proximity to the hauler’s service area. The closest alternative to Salem is the City of Woodburn at \$0.181/gal, located 23 miles to the north. The most competitive disposal sites are Clackamas Water Environment Services (WES), located 52 miles north of Salem’s Waste Processing Facility, and the City of Eugene Water Pollution Control Facility, located 63 miles south of Salem.

Receiving Agency	Rate (2022)	Distance from WPF	\$0.156 / gal average
City of Newport	\$0.190/gal	85 miles	
City of Woodburn	\$0.181/gal	23 miles	
Hillsboro CWS	\$0.178/gal	61 miles	
City of Vancouver	\$0.160/gal	60 miles	
City of Newberg	\$0.150/gal	35 miles	
City of McMinnville	\$0.140/gal	29 miles	
Eugene/Springfield MWWMC	\$0.132/gal	63 miles	
Clackamas WES	\$0.120/gal	52 miles	
City of Salem	\$0.120/gal		

E – NON-RATE WASTE STREAM – PROPOSED FEE ADJUSTMENTS

The table below shows the projected revenue that would be gained in 2022 and 2023 from a one-cent per gallon increase in the domestic septage disposal fee, assuming the same volume received year over year. Over a two-year period, it is estimated that \$145,475 would be gained through this gradual increase in the domestic septage fee.

Fiscal Year Ending	Projected 2022	Proposed 2023	Proposed 2024
% change in volume from previous year	1%	0%	0%
Domestic Septage (gal)	7,273,763	7,273,763	7,273,763
Cost per gallon	\$ 0.120	\$ 0.130	\$ 0.140
Total Septage Revenue	\$ 872,851.62	\$ 945,589.25	\$ 1,018,326.88
Additional revenue from proposed increase		\$ 72,737.63	\$ 72,737.63

Domestic Sludge Market

Willow Lake Water Pollution Control Facility has been accepting and treating domestic sludge from the City of Aurora since 2012. The table below shows two alternative disposal sites that also accept domestic sludge, both of which have higher fees than Salem.

Receiving Agency	Rate (2022)	Distance from Aurora
City of Durham	\$0.150/gal	13 miles
City of Estacada	\$0.100/gal	32 miles
City of Salem	\$0.060/gal	24 miles

The table below shows the projected revenue that would be gained in 2022 and 2023 from a one-cent per gallon increase in the domestic septage disposal fee, assuming the same volume received year over year. Over a two-year period, staff estimates that \$6,000 will be gained through this gradual increase in the domestic sludge fee.

Fiscal Year Ending	Projected 2022	Proposed 2023	Proposed 2024
% change in volume from previous year	10%	0%	0%
Domestic Waste Sludge (gal)	301,400	301,400	301,400
Cost per gallon	\$ 0.060	\$ 0.070	\$ 0.080
Total Domestic Waste Sludge Revenue	\$ 18,084.00	\$ 21,098.00	\$ 24,112.00
Additional revenue from proposed increase		\$ 3,014.00	\$ 3,014.00

E – NON-RATE WASTE STREAM – PROPOSED FEE ADJUSTMENTS

Options and Recommendation

1. Maintain the fees for **leachate** at \$0.03 per gallon, **septage** disposal at \$0.12 per gallon, and **domestic sludge** at \$0.06 per gallon.

Not Recommended. The fees have not been increased since 2012, 2016, and 2018 respectively.

2. Increase the fees per gallon for leachate, septage and domestic sludge as indicated over the next two years:

	Current Fee (per gal)	Proposed 2023 Fee (per gal)	Proposed 2024 Fee (per gal)
Leachate	\$ 0.030	\$ 0.035	\$ 0.040
Septage	\$ 0.12	\$ 0.13	\$ 0.14
Domestic Sludge	\$ 0.06	\$ 0.07	\$ 0.08

Recommended. The fee adjustments are warranted as a result of increased costs to process the waste stream and remain competitive in the area.

Policy Question

Shall the City of Salem increase the Backflow Prevention Fee to achieve greater or full program cost recovery?

Summary

The City of Salem is required by state law to manage a testing program to protect the drinking water system from potential sources of contamination through the installation and testing of backflow prevention assemblies. Salem has operated a program since 1982. *Oregon Administrative Rules 333-061-070* and *Salem Revised Code 72.150* require a backflow prevention assembly be installed on water services that have the potential to contaminate the City’s water system. Homes or businesses with potential hazards, such as irrigation systems or specific onsite processes, are required to have backflow assemblies, and these assemblies must be tested annually to ensure proper function. The property owner is responsible for the installation, maintenance, repair, and replacement of each backflow assembly. The City of Salem is required to maintain proof of compliance.

Discussion

In 2012, City Council adopted a Backflow Prevention Fee to directly charge the customers who have backflow assemblies for the cost of maintaining the proof of compliance. Currently 30 percent of Salem’s water accounts have backflow assemblies. The reasoning supporting the fee was to defray the cost of this service paid by utility customers who do not have these assemblies. The fee is billed as a line item on the City’s utility bill and has been \$1.50 per month since January 1, 2017. From 2012 to 2017, it was \$1.25 per month.

In the last few fiscal years, the revenue from the program has covered less than 80 percent of program operating costs. In the upcoming year, wage adjustments and information technology updates will result in increased annual operating expenses. This will lead to a greater decrease in program recovery achieved through the current backflow fee.

<i>Program Cost Recovery by Fiscal Year</i>			
Fiscal Year	Revenue	Program Expenditures	Cost Recovery
FY 2018-19	\$217,176	\$278,876	77.9%
FY 2019-20	\$225,227	\$283,503	79.4%
FY 2020-21	\$231,019	\$297,669	77.6%
FY 2021-22 (<i>projected</i>)	\$233,690	\$310,021	75.4%

Options and Recommendations

1. Maintain the current fee of \$1.50 per month.

Not Recommended. The fee has remained constant since 2017, and program cost recovery is anticipated to continue to decline to approximately 66 percent by FY 2025.

F - BACKFLOW PREVENTION FEE- COST RECOVERY PLAN

2. Increase the fee to \$2.25 from \$1.50 on January 1, 2023, to provide an estimated 100 percent cost recovery.

Recommended. A \$0.75 per month increase per account is appropriate to achieve 102 percent recovery in FY 2023 and 99 percent in FY 2024.

3. Increase the fee in two steps: to \$1.90 from \$1.50 per month on January 1, 2023; and to \$2.25 from \$1.90 per month on January 1, 2024, to provide approximately 100 percent cost recovery within two years.

Recommended as an alternative to Option 2. The proposed phased increase will achieve an estimated 86 percent cost recovery in FY 2023 and 99 percent in FY 2024.