MDC Sewer Customer Service Charge

The MDC, as a non-profit municipal corporation, sets its water and sewer rates annually through a series of public hearings and meetings, leading up to consideration, amendment and approval by its Board of Commissioners. The rate structure is developed solely to cover the expenses necessary to operate, maintain and improve an aging infrastructure which supports 1500 miles of water and 1200 miles of sewer systems. The MDC water rate is comprised of two major components: first, a Water Rate, which is based upon the estimated total volume of water consumption for the year; and second, a fixed Water Customer Service Charge which is not dependent on water consumption. Currently, the MDC Water Customer Service Charge covers a portion of the fixed cost to develop, maintain and improve the water utility infrastructure, including watershed lands, reservoirs, dams, large transmission mains, water treatment facilities, water tanks, pump stations, water mains, and water service lines, as well as the administrative overhead incurred to deliver water to individual properties. Given the fact water consumption represents more than 70% of the water revenues received, and water consumption has been very difficult to predict over the past 10 years due to drought, changes in population, somewhat stagnant economic growth and conservation, the fixed charge provides a measure of budgeting stability from year to year.

The sewer system’s maintenance and capital improvement costs are paid for by each member town through the Ad Valorem tax, and then passed on to residents by way of a percentage add-on to property taxes. Much like the water system, there are certain fixed costs associated with the development, maintenance and improvement of the sewer utility infrastructure. A large portion of these costs, previously paid for by ad valorem, is for work performed on private property infrastructure not owned by the MDC or the member towns. Private property work includes: 1) sewer work to investigate backups; 2) unclogging sewer laterals; 3) excavation and repair of sewer laterals; and 4) 24-hour sewer emergency response. As a result, beginning in 2018, these sewer costs will, in part, be covered by a fixed sewer customer service charge. The treatment and disposal of sewage released from a property will continue to be paid for via the ad valorem tax method. For 2018, the fixed Sewer Customer Service Charge (SCSC) will be $3.00 per month for any customer with MDC sewer service, generating $3 million dollars in revenue. Hence, MDC has reduced the 2018 Ad Valorem tax to the towns by this same amount, with zero net increase in revenue received by the MDC.

Please note that in addition to the wastewater improvements mandated under the Clean Water Project, the bulk of the aging MDC sewer infrastructure also requires the implementation of long-term capital improvement projects financed through the issuance of bonds. The amount of interest payments on these bond issuances is primarily a function of our bond rating. Since 2010 our bond rating agencies have strongly recommended that we shift more of our revenue needs to fixed revenue sources such as customer service charges. In the long term, maintaining a strong bond rating will result in significant savings to the MDC, our rate payers, and our member towns.

The MDC remains committed to minimizing operating costs through innovative solutions such as our heat recovery plant and hydroelectric facilities. We support conservation efforts as we continue developing the most responsible rate structure possible to support our core functions of providing quality water and sewer services to our customers. Given the MDC’s significant reserve of available water, we continue to explore opportunities to expand our customer base, which in turn will allow us to stabilize our water rates over the long term for all our customers. We sincerely hope that this will serve to minimize the future impact of the fixed charges necessary to maintain the water and sewer infrastructure on our customers.