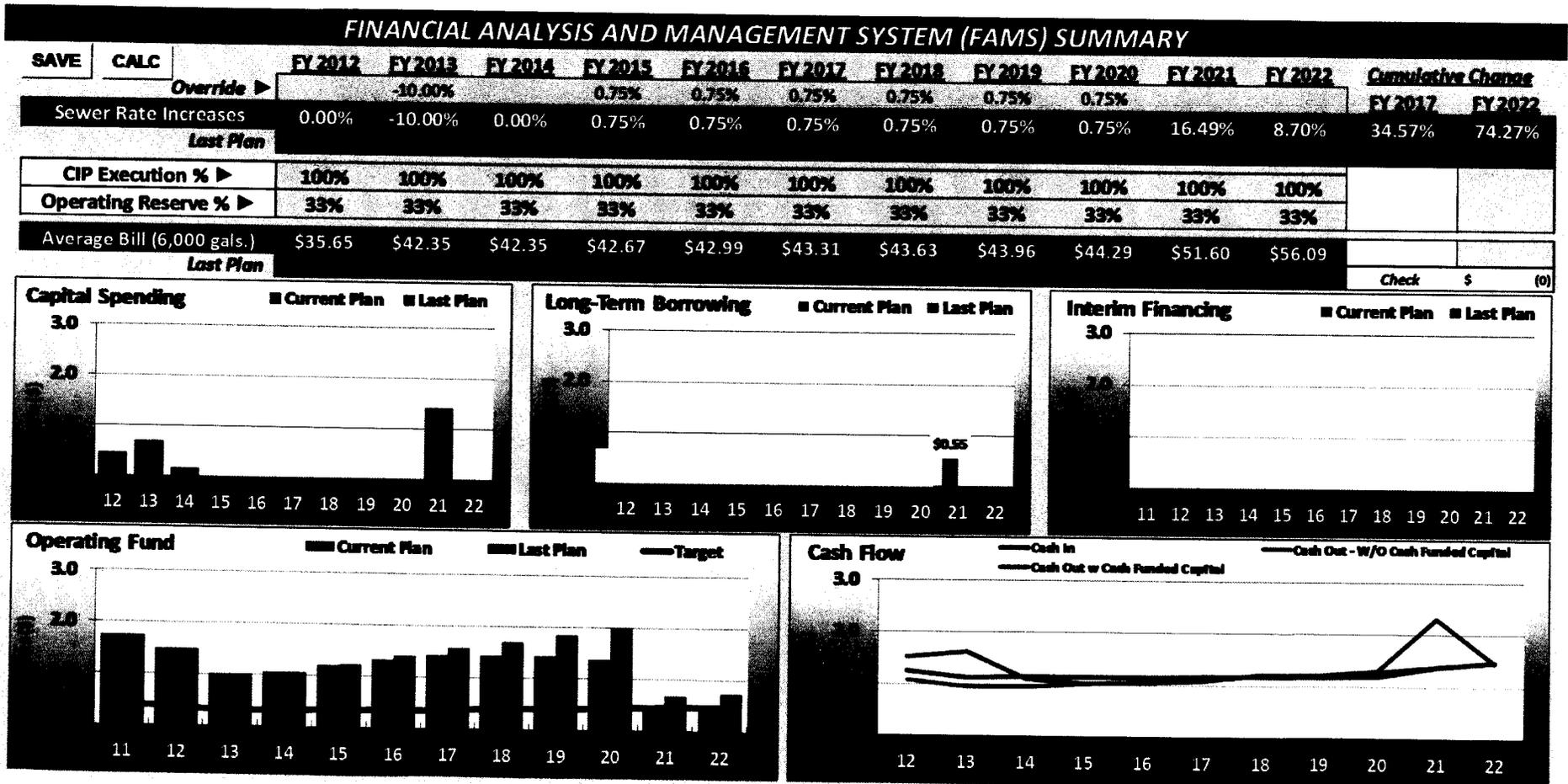


# 4 Months Reserve



Green bars and panels are the baseline scenario, blue are the active scenario.



Item No. 12.a.1

**LAUDERDALE-BY-THE-SEA**

**Agenda Item Memorandum**

**Administration**

Department

**Tony Bryan, Finance Director and  
Connie Hoffmann, Town Manager**

Department Director

<b>COMMISSION MEETING DATE - 7:00 PM</b>	<b>Deadline to Town Clerk</b>
<input checked="" type="checkbox"/> July 24 - Regular Meeting 7:00 PM	July 18

*\*Subject to Change*

- |                                       |   |                                       |   |
|---------------------------------------|---|---------------------------------------|---|
| <input type="checkbox"/> Presentation | <input type="checkbox"/> Reports        | <input type="checkbox"/> Consent      | <input checked="" type="checkbox"/> Ordinance |
| <input type="checkbox"/> Resolution   | <input type="checkbox"/> Quasi-Judicial | <input type="checkbox"/> Old Business | <input type="checkbox"/> New Business         |

**FY2012 DESIGNATED HIGH PRIORITY ITEM - PRIORITY TOPIC**

**SUBJECT TITLE: FIRST READING Ordinance 2012-13: AN ORDINANCE OF THE TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA, AMENDING CHAPTER 20, "UTILITIES," OF THE TOWN'S CODE OF ORDINANCES BY AMENDING ARTICLE II, "SANITARY SEWER SYSTEM," SECTION 20-19 "RATES AND CHARGES", AND SECTION 20-23 "DEFINITIONS" IN ORDER TO ADOPT REVISIONS TO THE SCHEDULE OF RATES AND CHARGES FOR SANITARY SEWAGE COLLECTION, TRANSMISSION AND DISPOSAL; AND PROVIDING FOR SEVERABILITY, CONFLICTS AND AN EFFECTIVE DATE**

**EXPLANATION:**

Background

In response to input from several commercial property owners and residents regarding the impact of the January 2011 sewer rate increase, the Town retained Burton & Associates to do a rate sufficiency analysis and a rate design analysis.

On June 19, the Town Commission tentatively approved Burton's recommendations to structure rates as follows:

- Single Family** - Reduce the fixed component of the rate for single family residential properties from the current \$14.89 per month to \$11.57 per month. The fixed component of the rate is comprised of a monthly base facility charge of \$10.26 and a customer service / admin charge of \$1.31. Increase the volumetric rate from \$3.46 per thousand gallons to \$5.13.
- Multi-Family** - Reduce the fixed component of the monthly rate for multi-family units from \$14.26 per unit to \$4.23 per unit, plus the customer service/admin charge of \$1.31 per bill. Increase the volumetric rate from \$3.46 per thousand gallons to \$5.13.
- Commercial** - Assign a certain number of equivalent units to each commercial property based on the American Water Works Association's (AWWA) meter equivalency factor guidelines based on meter size, and apportion the fixed component of the monthly rate to commercial properties by multiplying the single family residential base facility charge (\$10.26) by the number of equivalent units and adding the customer service / admin charge of \$1.31 per bill. Increase the volumetric rate from \$3.46 per thousand gallons to \$5.13.

The proposed restructuring of the rates is based on an analysis of the relative demand the three different classes of customers place on the sewer system and the projected costs of the sewer system over the next ten years.

#### Impact of Possibly Financing a Portion of the Lift Station Repairs in 2021

As you will recall, the majority of capital repairs to the sewer system are scheduled to be done in fiscal years 2012 through 2014. Then in 2021 the engineers have projected that the Town will have to completely rebuild our two lift stations at a projected cost of \$1.1 million. The Burton analysis assumed that the Town would continue its long-standing practice of paying for the sewer infrastructure on a pay as you go basis and not incur debt in the Sewer Fund.

We looked at the useful life of the lift station repairs that will be done in 2021 to determine if any of those costs could or should be spread to users of the system after 2021. After talking to the engineers, we concluded that a number of the components of the lift station have a useful life beyond 10 years and the cost of those components amounted to approximately half of the \$1.1 million projected cost. So we asked Burton to analyze what would happen to the sewer rates if the Town borrowed \$550,000 in 2021 to complete the lift station renovations. We also asked Burton to increase the projected cost of the lateral repairs in FY 2014 in his model from \$150,000 to \$300,000 to make sure we have enough funds for those repairs. (You will recall we are still awaiting the engineer's analysis of the video tapes of the laterals.)

The results of Burton's analysis are contained in the Exhibit to this agenda item entitled "6 Months Reserve". His analysis revealed that, if we were to borrow \$550,000 in FY 2021, the Town could implement smaller rate hikes in fiscal years 2015 through 2020 (1.65% increase per year versus 3% per year), but would have to increase rates substantially (by almost 10%) in 2021 and again in 2022 to cover the debt service and the debt coverage requirements that would be conditions of the bonds. When we asked him to modify the model to reduce the rates even more than 10% in FY 2013, he advised that we would very quickly have to raise them again and he did not see the wisdom in that.

We then asked Burton to determine the effect of reducing the Sewer Fund's operating reserve from 6 months of operating funds to 4 months of operating funds. That analysis is contained in the table entitled "4 Months Reserve".

Burton's model is proprietary, so we don't have the ability to simply try more and more different rate scenarios without compensating them for doing so. Burton's professional advice as a rate consultant with many, many years of experience is that it is impossible to get perfect intergenerational equity, that it is prevailing practice to try to avoid rate spikes, and that we should stick with the scenario reflected in the rate structure in the proposed ordinance.

#### Customer Classification Issues

In doing analyses of the impact of the proposed rate structure on individual customers we determined that a small number of hotels are currently classified in the sewer billing system as multi-family properties rather than as commercial properties. These properties are classified in the Town's business tax records as hotels and are also classified by the Broward County Property Appraiser as hotels, so it is clear they should be reclassified as commercial customers. Under the current rate structure there is about a \$2 per month savings per unit if a building is classified as multi-family compared to if it is classified as a commercial property. However, the classification of these accounts needs to be corrected before the new rate structure is implemented.

We also saw that the time share properties that rent units by the night or week are classified as multi-family customers. The determination as to whether they should be classified as commercial customers or not is a bit more difficult as they are classified by the Property Appraiser as condominiums. The time share operations will pay more being classified as multi-family customers than as commercial customers under the proposed rates. We will be discussing the issue of how they should be classified with the Town Attorney before second reading of the ordinance.

With the new rate structure we think we need to define how we will determine who is a commercial customer and who is a multi-family or single family residential customer. For example, we are thinking that mixed use properties should be treated as commercial accounts, unless they have separately metered the residential section(s) of their building, in which case they would have multiple accounts and could have different classifications for different accounts.

We will be examining these issues in the next month and address them in revisions to the ordinance on second reading.

Second Reading and Implementation

The ordinance implementing these changes is being presented on first reading now and will be presented for second reading on August 21<sup>st</sup>. If adopted, the new rates would take effect with the October 2012 billing cycle (i.e., based on October consumption). A notice will appear in the July bills sent to sewer customers by Fort Lauderdale of the August 21 public hearing on the proposed rate changes. The Town will also send a postcard to sewer customers advising them of the proposed changes in rates.

**RECOMMENDATION: Adopt the ordinance on first reading.**

**EXHIBITS: 2021 Debt Scenarios - 6 Months Reserve and 4 Months Reserve – from Burton & Associates Ordinance**

Reviewed by Town Attorney

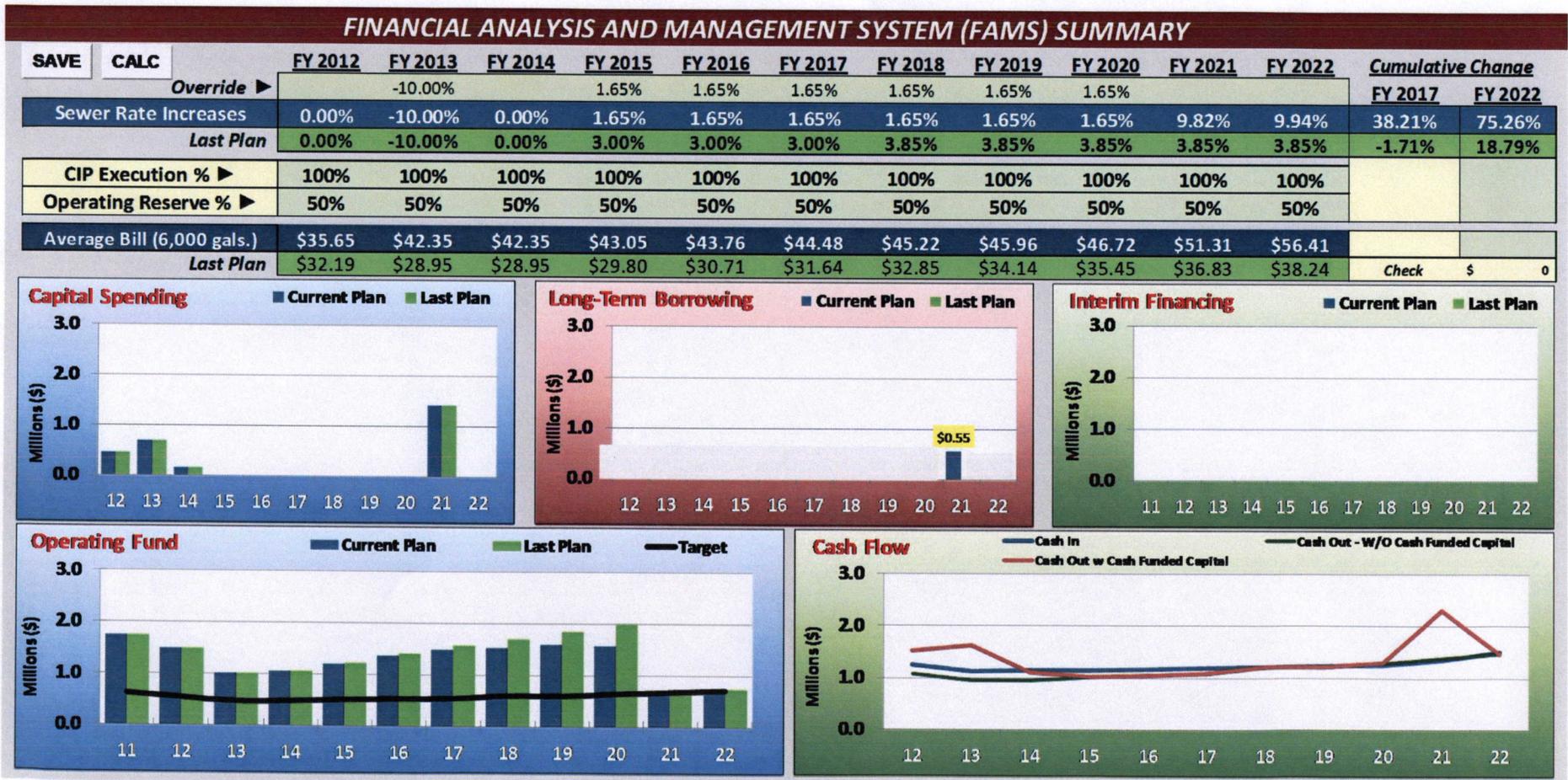
Yes  No

(Ordinance only; not agenda cover.)

Town Manager Initials CH

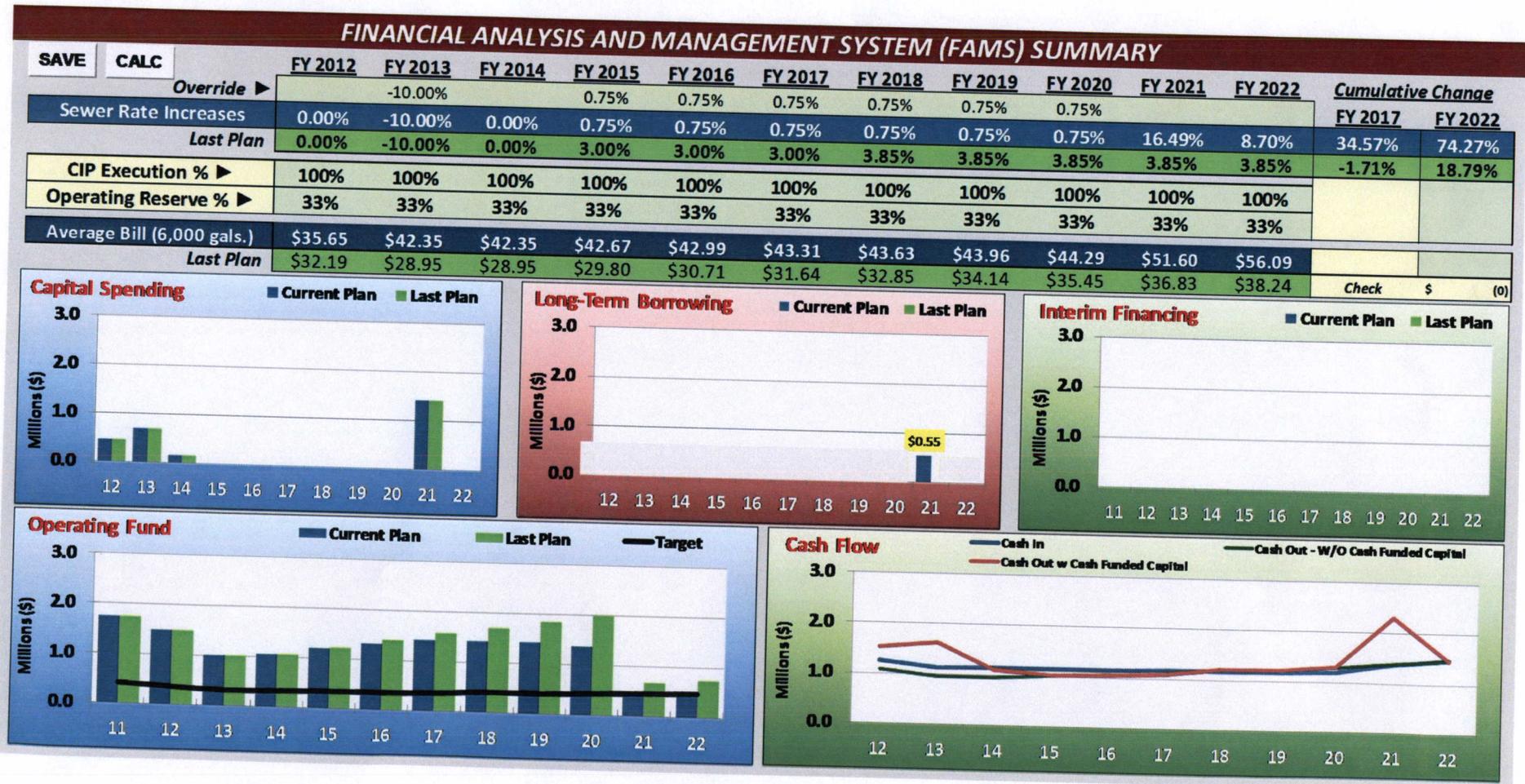
# Analysis of Debt and Reserve Scenarios

# 6 Months Reserve



Green bars and panels are the baseline scenario, blue are the active scenario.

# 4 Months Reserve



Green bars and panels are the baseline scenario, blue are the active scenario.



**ORDINANCE 2012-\_\_**

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(1) Monthly ~~service~~ base facility charge per single-family unit... ~~\$14.89~~ \$10.26

(2) Monthly ~~service~~ base facility charge per multi-family unit, including duplexes:.....~~\$14.26~~ \$4.23

(3) Monthly ~~service~~ base facility charge per commercial unit: .....~~\$16.33~~ \$10.26

(4) *Consumption rate charged per 1,000 gallons of water usage:*

All customer classes..... ~~\$3.46~~ \$5.13

All residential units will not be charged a consumption rate for usage in excess of 10,000 gallons per month

(5) Monthly customer service/administration charge per meter:

All customer classes..... \$ 1.31

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**SECTION 3. Amending Section 20-23.** Section 20-23 “Definitions” of Article II

“Sanitary Sewer System” of Chapter 20 “Utilities” is hereby amended as follows:

**Sec. 20-23. Definitions.**

For the purpose of this article, the following definitions shall apply unless the context clearly indicates or requires a different meaning:

BOD or biochemical oxygen demand shall mean the quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedure in five days at 20°C expressed in milligrams per liter.

Combined sewage shall mean a combination of the water-carried wastes from residences, business buildings, institutions, and industrial establishments, together with any ground, surface, and storm waters as may be present.

Commercial unit shall mean a designation of a number of units based on meter size as indicated in the following table:

ORDINANCE 2012-\_\_

Meter Size Equivalencies	
Meter Size	Equivalent Units
5/8"	1.0
3/4"	1.0
1"	2.5
1.5"	5.0
2"	8.0
3"	16.0
4"	25.0
6"	50.0
8"	80.0
10"	115.0

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~~(1) — A structure housing one business served by one meter. Included in this definition are individual business areas within a multi-user structure when each is served by an individual meter.~~

~~(2) — Each business, excluding hotels and motels, with separate public access, such as a store in a mall, if the business is provided with water service and has two or more plumbing fixtures, will be considered a unit. Laundry services, such as a laundromat, will be considered as one unit.~~

~~(3) — A domicile when supplied by a commercial meter. This shall include a resident manager's apartment offices located inside of a predominantly commercial structure.~~

~~(4) — For hotels, apartment hotels, motels, or apartment motels the following definitions shall apply:~~

~~a. — Each room (intended for occupancy by a guest) containing two or more plumbing fixtures and having separate access within a hotel, apartment hotel, motel, or apartment motel will be considered a unit. Meeting rooms within a hotel will be considered as part of the commons area.~~

~~b. — Each business within separate public access, if the business is provided with water service, and contains two or more plumbing fixtures will be unit.~~

~~(5) — If more than one meter provides service to a subunit of a building, a building, or a multiple building complex (a looped plumbing system), then the number~~

**ORDINANCE 2012-\_\_**

105 ~~of units will be divided evenly among all meters. However, no meter will be billed for~~  
106 ~~less than one unit.~~

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110 **SECTION 4. Severability.** If any section, sentence, clause, or phrase of this Ordinance  
111 is held to be invalid or unconstitutional by any court of competent jurisdiction, then said holding  
112 shall in no way affect the validity of the remaining portions of this Ordinance.

113 **SECTION 5. Conflicts.** All prior ordinances or resolutions or parts thereof in conflict  
114 herewith are hereby repealed to the extent of such conflict.

115 **SECTION 6. Effective Date.** This Ordinance shall become effective upon adoption on  
116 second reading.

117 Passed on the first reading, this \_\_\_\_ day of \_\_\_\_\_, 2012.

118  
119 Passed and adopted on the second reading, this \_\_\_\_ day of \_\_\_\_\_, 2012.

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Mayor Roseann Minnet

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First Reading

Second Reading

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128 Mayor Minnet

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129 Vice-Mayor Sasser

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130 Commissioner Brown

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131 Commissioner Dodd

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132 Commissioner Vincent

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135 Attest:

