

Town of Lauderdale-by-the-Sea

OFFICE OF THE TOWN MANAGER

Memorandum

Date: November 19, 2010

To: Mayor Roseann Minnet
Commissioner Stuart Dodd
Commissioner Birute Clottey
Commissioner Scot Sasser
Commissioner Chris Vincent

From: Connie Hoffmann, Town Manager 

Subject: Sewer Rates

The Commission's instructions to me were to calculate the rate increases that would be needed to eliminate the operating loss in the sewer fund and begin setting aside funds for capital repairs and replacement.

The simplest way to achieve the Commission's objectives is to adopt the Pompano Beach rate structure for residential properties. In order to do that, we had to eliminate the 2,000 volume credit for single family homes which had a significant effect on their rates.

If these rates are adopted, we would not eliminate the operating loss in the current fiscal year because the rate increase would only be in effect for eight months, assuming we can give Fort Lauderdale sufficient notice to change the billing program effective with the bills for February usage. However, with a full year's implementation the following year, the operating loss would be eliminated (even assuming a 7% increase in expenses) but would generate only \$33,000 for the capital reserve.

Adoption of the Pompano rates for residential properties would result in the following increase in the monthly sewer bills:

\$13.29 (+58%) for a single family home that averages 7,000 gallons of water consumption

\$23.92 (+69%) for a duplex that averages 10,000 gallons of water of consumption. (This figure assumes a single bill for the duplex.)

\$10.20 (+54%) for a multi-family property with 15 units that use approximately 5,000 gallons of water per unit per month

\$11.83 (+68%) for a multi-family property with 25 units that use approximately 5,000 gallons of water per unit per month

\$12.36 (+73%) for a multi-family property with 50 units that use approximately 5,000 gallons of water per unit per month

\$12.36 (+73%) for a multi-family property with 100 units that use approximately 5,000 gallons of water per unit per month

\$13.31 (+ 83%) for a multi-family property with 200 units that use approximately 5,000 gallons of water per unit per month

Commercial properties would experience about a 27% increase in their base rate, but not in their overall rate. We cannot calculate what the increase would be overall, because we do not have the volumetric consumption data for each commercial property. Our guess is that the volumetric consumption charges would be the more significant part of their total sewer bill.

Attached you will find tables that show:

- The budget impact and the impact on fund balance of the rate hike.
- The new rates compared to the existing rates.
- Detail on the impact of the increase on a “typical” monthly bill for various categories of households.

On the budget sheet you will notice that last year’s operating loss was less than expected due to higher revenues than we projected. As a result, we have increased the revenue projection for the current year by about \$25,000.

	FY09/10	FY10/11 Projection no rate increase	FY10/11 w Full Rate Increase for 8 mos	FY 11/12 w rate increase
Revenues				
Sewer Service Charges	982,491	976,300	1,305,974	1,467,778
Misc Revs	3,938	3,000	3,000	3,000
<i>Total revenues</i>	<i>986,429</i>	<i>979,300</i>	<i>1,308,974</i>	<i>1,470,778</i>

Expenditures				
Personnel Costs	61,687	68,748	68,748	75,623
Professional Services	13,009	50,000	50,000	15,000
Sewer/Wastewater Fees (assumes 20% increase 1/2011 & 7% increase in 2012)	864,955	1,000,000	1,000,000	1,070,000
Utilities	14,930	14,000	14,000	15,400
Auto, Prop & Liab Insurance	5,578	5,500	5,500	6,050
Workers Comp Insurance	4,044	2,000	2,000	2,200
Sewer Line Maint	69,701	80,000	80,000	88,000
Pump Sta Maintenance	17,435	25,000	25,000	27,500
Contingency	-	15,000	15,000	16,500
Printing & Binding	-	250	250	275
Postage	-	250	250	275
Operating Supplies/Misc	425	2,000	2,000	2,200
Depreciation	52,916	58,000	58,000	63,800
Sewer Repairs	-	50,000	50,000	55,000
Transfer to Capital Reserve	-	-	-	32,955
<i>Total Expenditures</i>	<i>1,104,680</i>	<i>1,370,748</i>	<i>1,370,748</i>	<i>1,470,778</i>

Operating Loss	118,251	391,448	61,774	
Projected Fund Balance	1,495,695	1,104,247	1,433,921	1,409,057
Capital Reserve				32,955

REVENUE IMPACT ANALYSIS OF SEWER RATE SCENARIO

	LBTS Current	Convert to Per Unit Feb '11	Annualized Revenue
Residential Rate Analysis			
<u>Single Family</u>			
<u>Base Charge</u>	7.60	14.89	14.89
518 accounts/mo	3,936.80	7,713.02	7,713.02
per year	47,241.60	77,451.36	92,556.24
Increase		30,209.76	45,314.64
<u>Duplex</u>			
<u>Base Charge</u>	7.60	14.26	
86 accounts/ 172 units /mo	653.60	2,452.72	
per year	7,843.20	22,236.16	29,432.64
Increase		14,392.96	21,589.44
<u>Multi-Family</u>			
<u>Base Charge '5/8"</u>	7.60	14.26	
12 meters/46units /mo	91.20	655.96	
per year	1,094.40	5,612.48	7,871.52
Increase		4,518.08	6,777.12
<u>Base Charge-1"</u>	38.00	14.26	
72 meters/348 units /mo	2,736.00	4,962.48	
per year	32,832.00	50,643.84	59,549.76
Increase		17,811.84	26,717.76
<u>Base Charge-1.5"</u>	60.80	14.26	
35 meters/330units /mo	2,128.00	4,705.80	
per year	25,536.00	46,158.40	56,469.60
Increase		20,622.40	30,933.60
<u>Base Charge-2"</u>	121.60	14.26	
23 meters/572 units /mo	2,796.80	8,156.72	
per year	33,561.60	76,440.96	97,880.64
Increase		42,879.36	64,319.04
<u>Base Charge-4"</u>	190.00	14.26	
9 meters/ 1462units /mo	1,710.00	20,848.12	
per year	20,520.00	173,624.96	250,177.44
Increase		153,104.96	229,657.44
Total Per Year	168,628.80		
Per Month	56,209.60		
Total w 8 mo inc		452,168.16	
Total w 12 mo inc			593,937.84
Residential Revenue Increase		283,539.36	425,309.04

REVENUE IMPACT ANALYSIS OF SEWER RATE SCENARIO

Commercial Accounts	LBTS Current	Convert to Per Unit Feb '11	
5/8" 42 meters/mo per year	7.60 319.20 3,830.40	9.66 405.72 4,609.08	4,868.64
Increase		<u>778.68</u>	<u>1,038.24</u>
3/4" 1meter/month per year	19.00 19.00 228.00	24.14 24.14 274.26	289.68
Increase		<u>46.26</u>	<u>61.68</u>
1" 59 meters/mo per year	38.00 2,242.00 26,904.00	48.28 2,848.52 31,756.16	34,182.24
Increase		<u>4,852.16</u>	<u>7,278.24</u>
1.5" 59 meters /mo per year	60.80 3,587.20 43,046.40	77.25 4,557.75 51,781.35	54,693.00
Increase		<u>8,734.95</u>	<u>11,646.60</u>
2" 16/meters /mo per year	121.60 1,945.60 23,347.20	154.49 2,471.84 28,083.36	29,662.08
Increase		<u>4,736.16</u>	<u>6,314.88</u>
4" 2/meters/mo per year	190.00 380.00 4,560.00	241.40 482.80 5,382.40	5,793.60
Increase		<u>822.40</u>	<u>1,233.60</u>
Total Per Year	101,916.00		
total w 8 mo inc		121,886.61	
total w 12 mo inc			129,489.24
Commercial Revenue Increase		<u>19,970.61</u>	<u>27,573.24</u>
Cumulative Total	270,544.80	574,054.77	723,427.08
TOTAL INCREASE	-	<u>303,509.97</u>	<u>452,882.28</u>

IMPACT OF NEW SEWER RATES ON DIFFERENT CATEGORIES OF CUSTOMERS

We finally got some information from Fort Lauderdale that indicates that average consumption per single family household this past summer was around 7,000 gallons, so we are using that figure in our assumptions regarding the rate impact on single family homes.

CURRENT RATES: A **SINGLE FAMILY HOME** currently pays a base rate of \$7.60 which includes 2,000 gallons of usage and the standard volumetric charge for the additional gallons used. We've received some information from Fort Lauderdale that indicates that average consumption per single family household this past summer was around 7,000 gallons. So, assuming that consumption rate, the **current** average monthly sewer bill would be \$22.60 (\$7.60 + volumetric charge of \$15)

CURRENT BILL: \$22.60 per household

WITH PROPOSED RATE INCREASE: \$14.89 base + volumetric charge of \$21 = \$35.89

(The proposed rate charges for all volume; there is no credit for the first 2,000 gallons any longer)

MONTHLY \$ INCREASE: \$13.29 (a 58% increase)

CURRENT RATES: A **DUPLEX** with a single meter is currently paying the same base rate as a single family home. Base rate of \$7.60 + \$27 for volume (assumes both sides of the duplex use 5,000 gallons since there is less lawn to water at a duplex) = \$34.60

CURRENT RATE: \$34.60 per duplex (17.30 per household)

PROPOSED RATE INCREASE: Under the Pompano rate system a duplex is treated as two units at the multi-family rate. \$14.26 base X 2 units = 28.52 + volumetric charge for 10,000 gallons (\$30) = \$58.52 per duplex, \$29.26 per household

MONTHLY \$ INCREASE (FOR BOTH UNITS COMBINED) - \$23.92 (a 69% increase)

CURRENT RATES: A CONDOMINIUM WITH 15 UNITS with a 1 1/2 " meter and 75,000 gallons of water use would pay a monthly sewer bill of \$285.80 (60.80 for the meter + \$225 for the volume). That equates to \$19.05 per unit

CURRENT RATE: \$19.05 per household

PROPOSED RATE INCREASE: \$14.26 base X 15 units = \$213.79 + \$225 volumetric charge = \$438.79, or \$29.25 per household

MONTHLY \$ INCREASE PER UNIT - \$10.20 (a 54% increase)

CURRENT RATES: A CONDOMINIUM WITH 25 UNITS with a 1 1/2 " meter and 125,000 gallons of water use would pay a monthly sewer bill of \$435.80 (60.80 for the meter + \$375 for the volume). That equates to \$17.43 per unit

CURRENT RATE: \$17.43 per household

PROPOSED RATE INCREASE: \$14.26 base X 25 units = \$356.50+ \$ 375 volumetric charge for 10,000 gallons = \$731.50 or \$29.26 per household

MONTHLY \$ INCREASE PER UNIT - \$11.83 (a 68% increase)

CURRENT RATES: A CONDOMINIUM WITH 50 UNITS with a 2 " meter and 250,000 gallons of water use (average household consumption of 5,000 gallons) would pay a monthly sewer bill of \$871.60 (121.60 for the meter + \$750 for the volume). That equates to \$17.43 per unit

CURRENT RATE: \$17.43 per household

PROPOSED RATE INCREASE: \$14.26 base X 50 units = \$713 + \$ 750 volumetric charge = \$1463 = \$29.26 per household

MONTHLY \$ INCREASE PER UNIT - \$11.83 (a 68% increase)

CURRENT RATES: A **condominium with 100 units** with a 4 " meter and 500,000 gallons of water use would pay a monthly sewer bill of \$16.90 per unit (\$190 for the meter + \$1,500 for the volume = \$1690)

CURRENT RATE: \$16.90 per household

PROPOSED RATE INCREASE: \$14.26 X 100 units = \$1426 + \$ 1500 volumetric charge = \$2926 = \$29.26 per household

MONTHLY \$ INCREASE PER UNIT - \$12.36 (a 73% increase)

CURRENT RATES: A **condominium with 200 units** with a 4 " meter and 1,000,000 gallons of water use would pay a monthly sewer bill of \$3,190 (190 for the meter + \$3,000 for the volume). That equates to \$15.95 per unit

CURRENT RATE: \$15.95 per household

PROPOSED RATE INCREASE: \$14.26base X 200 units = \$2852 + \$ 3000 volumetric charge = \$5852 = \$29.26 per household

MONTHLY \$ INCREASE PER UNIT - \$13.31 (an 83% increase)