CITY OF ATLANTIC BEACH
CITY COMMISSION MEETING
STAFF REPORT

AGENDA ITEM: Utility Rate Study

SUBMITTED BY: Joe Gerrity, City Manager

DATE: November 13, 2018

BACKGROUND: The Utility Department did a Revenue Sufficiency Study to determine if Utility Revenues were able to keep up with needed Capital improvements for the next 10 years. The study shows that those revenues were not adequate to make the improvements necessary to maintain the system and keep it in good working order. Staff is recommending that we pass on a rate increase of 4.5%/per year for the next 3 years followed by regular increases of 3% in the following years. This Ordinance will cover the rates for the next 3 fiscal years (including FY 18-19). We will review revenue on a yearly basis in case any further adjustments are needed.

RECOMMENDATION: City Commission approve Ordinance No. 80-18-88

ATTACHMENTS: Ordinance No. 80-18-88
Water & Sewer Revenue Sufficiency Analysis

ORDINANCE NO. 80-18-88

AN ORDINANCE TO AMEND CHAPTER 22 UTILITIES; AMENDING ARTICLE II, WATERWORKS SYSTEM, SECTION 22-27 CHARGES FOR WATER SERVICE TO INCREASE THE CHARGES FOR WATER SERVICE; AMENDING ARTICLE III, WASTEWATER SYSTEM, DIVISION SEVEN, SEWER USER RATES AND CHARGES, SECTION 22-166 MONTHLY WASTEWATER BASE FACILITY CHARGES TO INCREASE RESIDENTIAL AND COMMERCIAL BASE CHARGE RATES AND AMENDING SECTION 22-167 SCHEDULE OF WASTEWATER VOLUME CHARGES TO INCREASE THE RATES FOR WASTEWATER VOLUME CHARGES FOR RESIDENTIAL AND COMMERCIAL CUSTOMERS; PROVIDING FOR CONFLICT; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, it has been determined that a four and half percent increase in utility revenues over the next three fiscal years is needed to fund projected future water and wastewater system improvements; and

WHEREAS, the City Commission now desires to approve increased water and wastewater rates and charges to fund the improvements.

NOW, THEREFORE, BE IT ENACTED BY THE CITY COMMISSION ON BEHALF OF THE PEOPLE OF THE CITY OF ATLANTIC BEACH, FLORIDA, that;

SECTION 1. Chapter 22 Utilities, of the Code of Ordinances of the City of Atlantic Beach, Florida is hereby amended to read as follows:

Article II. - Waterworks System

Sec. 22-27. Charges for water service.
The reasonable rates, rentals, fees and other charges for the use of the services and facilities of the city waterworks system are hereby found and determined to be and are hereby fixed and established as follows:

(1) *Monthly water base facility charges for customers inside the city:* A monthly water base facility charge will be levied upon each connection in accordance with the following table:

	~~**Effective October 1, 2010**~~	**Effective December 1, 2018**	**Effective October 1, 2019**	**Effective October 1, 2020**
Residential				
Single-family residential and single-family individually-metered mobile homes	~~$ 8.97 per account~~	$ 9.37 per account	$ 9.80 per account	$ 10.24 per account
Multifamily residential	~~6.73 per unit~~	7.03 per unit	7.35 per unit	7.68 per unit

Master-metered mobile homes	~~6.73 per site~~	7.03 per site	7.35 per site	7.68 per site
Travel trailers	~~6.73 per site~~	7.03 per site	7.35 per site	7.68 per site
Hotel/motel	~~6.73 per room~~	7.03 per room	7.35 per room	7.68 per room
Hotel/motel with kitchen	~~6.73 per room~~	7.03 per room	7.35 per room	7.68 per room
Commercial				
Master-metered commercial	~~8.97 per unit~~	9.37 per unit	9.80 per unit	10.24 per unit
Restaurants, laundries, and car wash connections	~~Based on meter size phase in table below~~	Based on meter size phase in table below	Based on meter size phase in table below	Based on meter size phase in table below
All other commercial customers	~~Based on meter size phase in table below~~	Based on meter size phase in table below	Based on meter size phase in table below	Based on meter size phase in table below
Irrigation				
All residential	~~8.97 per account~~	9.37 per account	9.80 per account	10.24 per account
All commercial	~~Based on meter size phase in table below~~	Based on meter size phase in table below	Based on meter size phase in table below	Based on meter size phase in table below

Water base facility charges for the commercial classifications are based upon the meter size and they will become effective as follows:

Meter Size in inches	**~~Effective October 1, 2009~~**	**Effective December 1, 2018**	**Effective October 1, 2019**	**Effective October 1, 2020**
5/8 or 3/4	~~$ 8.97~~	$ 9.37	$ 9.80	$ 10.24
1	~~11.22~~	11.72	12.25	12.80
1 1/2	~~22.43~~	23.44	24.49	25.60
2	~~35.85~~	37.46	39.15	40.91
3	~~71.73~~	74.96	78.33	81.86
4	~~112.08~~	117.12	122.39	127.90
6	~~224.17~~	234.26	244.80	255.82
8	~~358.67~~	374.81	391.68	409.30

(2) *Schedule of water volume charges for customers inside the city.*

(a) *Single units* There are hereby established inclining block volume charges for single-family residential and single-family individually-metered mobile homes, per account, as follows:

Block	Upper Limit (Gallons per month)	~~Rate per 1000 gallons~~ ~~Effective~~ ~~October 1, 2009~~	Rate per 1000 gallons Effective December 1, 2018	Rate per 1000 gallons Effective October 1, 2019	Rate per 1000 gallons Effective October 1, 2020
1	3,000	~~$ 1.02~~	$ 1.07	$ 1.11	$ 1.16
2	8,000	~~2.44~~	2.55	2.66	2.78
3	13,000	~~2.88~~	3.01	3.15	3.29
4	18,000	~~4.31~~	4.50	4.71	4.92
5	Over 18,000	~~6.50~~	6.79	7.10	7.42

(b) *Multiple units and commercial accounts:* There is hereby established an inclining block volume charge for all multiunit residential and multiunit commercial accounts as follows:

Block	Upper Limit (Gallons per month)	~~Rate per 1000 gallons~~ ~~Effective~~ ~~October 1, 2009~~	Rate per 1000 gallons Effective December 1, 2018	Rate per 1000 gallons Effective October 1, 2019	Rate per 1000 gallons Effective October 1, 2020
1	2,000	~~$ 1.02~~	$ 1.07	$ 1.11	$ 1.16
2	Over 2,000	~~2.44~~	2.55	2.66	2.78

(c) *Single unit irrigation:* There is hereby established an inclining block irrigation volume charge for all single-family residential and single-family individually-metered mobile homes, per account, as follows:

Block	Upper Limit (Gallons per month)	~~Rate per 1000 gallons~~ ~~Effective~~ ~~October 1, 2009~~	Rate per 1000 gallons Effective December 1, 2018	Rate per 1000 gallons Effective October 1, 2019	Rate per 1000 gallons Effective October 1, 2020
1	13,000	~~$ 2.88~~	$ 3.01	$ 3.15	$ 3.29
2	18,000	~~4.31~~	4.50	4.71	4.92
3	Over 18,000	~~6.50~~	6.79	7.10	7.42

(d) *Multiple unit and commercial irrigation:* There is hereby established an inclining block volume charge for all multiunit residential irrigation accounts and all commercial irrigation accounts as follows:

Block	Upper Limit (Gallons per month)	~~Rate per 1000 gallons~~ ~~Effective~~ ~~October 1, 2009~~	Rate per 1000 gallons Effective December 1, 2018	Rate per 1000 gallons Effective October 1, 2019	Rate per 1000 gallons Effective October 1, 2020
1	3,000	~~$ 1.02~~	$ 1.07	$ 1.11	$ 1.16
2	Over 3,000	~~2.44~~	2.55	2.66	2.78

(3) *Commercial outside the city:* The rates applicable to customers outside of the city shall be one and one-quarter (1.25) times the rates above for both monthly water base facility charges and water volume charges.

DIVISION 7. SEWER USER RATES AND CHARGES

Sec. 22-166. Monthly wastewater base facility charges.

Wastewater base facility charges will be levied monthly as follows:

(a) *Monthly wastewater base facility charge for customers inside the city.* A monthly base charge will be levied upon each connection in accordance with the following:

An equivalent residential unit (ERU) is defined as a wastewater connection that delivers three hundred (300) gallons per day (gpd) of typically domestic wastewater flow to the waste stream, or equivalent to a residence serviced by a three-fourths-inch water meter.

	~~Effective~~ ~~October 1, 2010~~	Effective December 1, 2018	Effective October 1, 2019	Effective October 1, 2020
Residential				
Single-family residential and single-family individually-metered mobile homes, per account	~~20.46~~	21.38	22.34	23.35
Multifamily residential, per unit	~~15.35~~	16.04	16.76	17.52
Master-metered mobile homes, per site	~~15.35~~	16.04	16.76	17.52
Travel trailers, per site	~~12.30~~	12.85	13.43	14.04
Hotel/motel, per room	~~10.26~~	10.72	11.20	11.71

Hotel/motel with kitchen, per room	~~12.30~~	12.85	13.43	14.04
Commercial				
Master-metered commercial, per unit	~~20.46~~	21.38	22.34	23.35
Restaurants, laundries, and car wash connections	~~20.46 x ERU factor~~	21.38 x ERU factor	22.34 x ERU factor	23.35 x ERU factor
All other commercial customers	~~20.46 x ERU factor~~	21.38 x ERU factor	22.34 x ERU factor	23.35 x ERU factor

The ERU factor for the commercial classification is based upon meter size as follows:

Meter Size in inches	ERU factor
5/8 × 3/4	1.00
1	1.28
1 1/2	2.08
2	2.88
3	5.60
4	10.00
6	20.00
8	30.00

(b) *Customers outside the city.* The rates applicable to customers outside of the city shall be one and one-quarter (1.25) times the rates above.

Sec. 22-167. Schedule of wastewater volume charges.

(a) *Customers inside the city.* There are hereby established block volume charges for customers inside the city as follows:

(1) Single-family residential and single-family individually-metered mobile homes, per account, as follows:

Block	**Upper Limit(Gallons per month)**	**~~Rate per 1000 Gallons Effective October 1, 2010~~**	**Rate per 1000 Gallons Effective December 1, 2018**	**Rate per 1000 Gallons Effective October 1, 2019**	**Rate per 1000 Gallons Effective October 1, 2020**
1	3,000	~~1.62~~	1.69	1.77	1.85

2	13,000	~~5.67~~	5.93	6.19	6.47
3	Over 13,000	———	-	-	-

(2) Multiunit residential and all commercial units as follows:

Block	**Upper Limit (Gallons per month)**	~~**Rate per 1000 Gallons Effective October 1, 2010**~~	**Rate per 1000 Gallons Effective December 1, 2018**	**Rate per 1000 Gallons Effective October 1, 2019**	**Rate per 1000 Gallons Effective October 1, 2020**
1	3,000	~~1.62~~	1.69	1.77	1.85
2	Over 3,000	~~5.67~~	5.93	6.19	6.47

(b) *Customers outside the city.* The rates applicable to customers outside of the city shall be one and one-quarter (1.25) times the rates above.

SECTION 2. Conflict. All ordinances, resolutions, official determinations or parts thereof previously adopted or entered by the City or any of its officials and in conflict with this Ordinance are repealed to the extent inconsistent herewith.

SECTION 3. Severability. If a Court of competent jurisdiction at any time finds any provision of this Ordinance to be unlawful, illegal, or unenforceable, the offending provision shall be deemed severable and removed from the remaining provisions of this Ordinance which shall remain in full force and intact.

SECTION 4. Effective Date. This Ordinance shall take effect upon final reading and approval.

PASSED by the City Commission on first reading this ____ day of November, 2018.

PASSED by the City Commission on second and final reading this ___ day of _____, 2018.

CITY OF ATLANTIC BEACH

_____
Ellen Glasser, Mayor

Attest:

_____
Donna L. Bartle, City Clerk

Approved as to form and correctness:

_____
Brenna M. Durden, City Attorney

City of Atlantic Beach, FL

First Reading

November 13, 2018

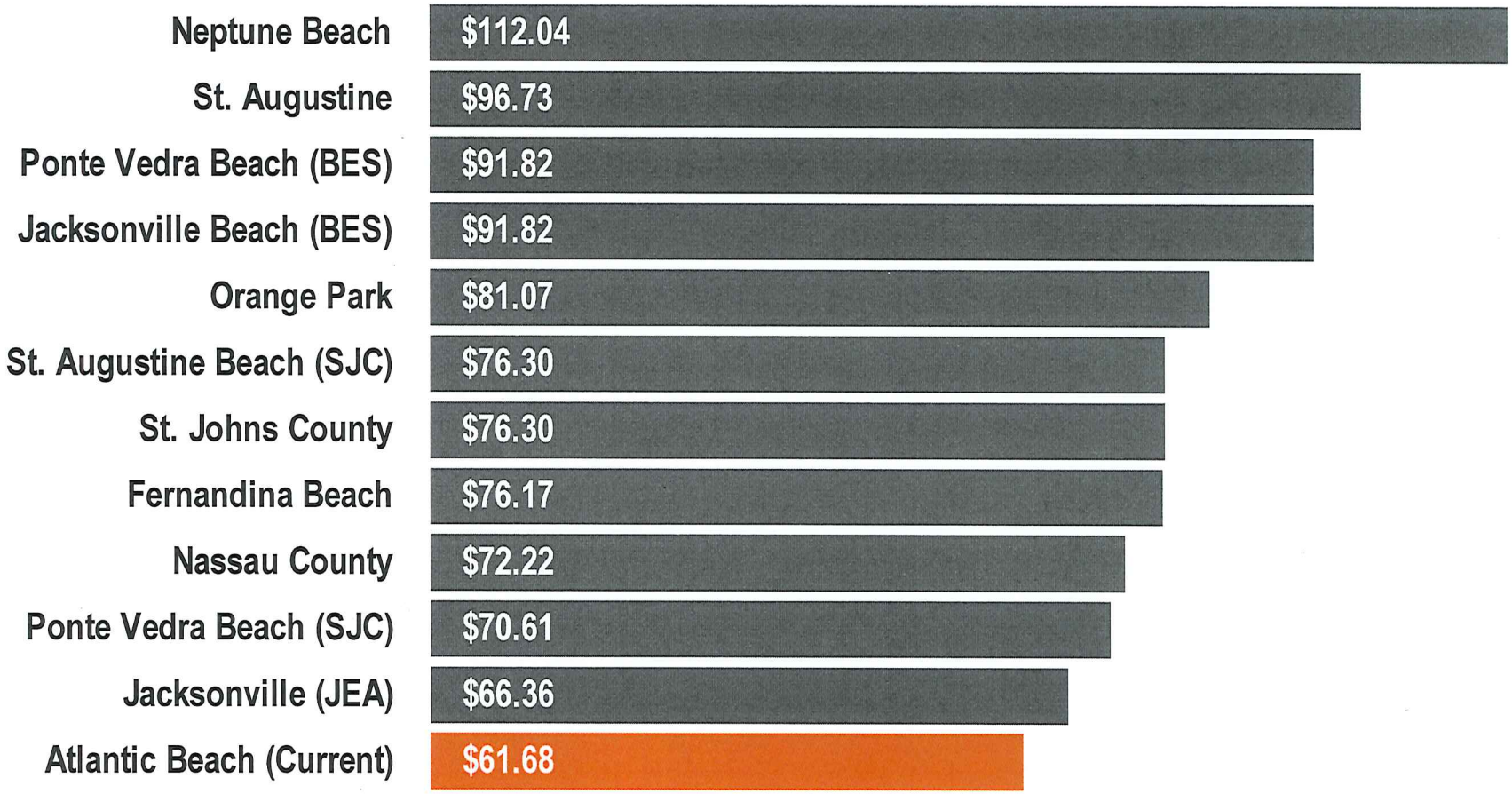
Water & Sewer Revenue Sufficiency Analysis

Stantec

Agenda

1. Background & Objectives
2. Financial Management Plan
3. Alternative Rate Plan Scenarios
4. National Industry Trend
5. Local Cost Comparison

Local Water & Sewer Bill Survey: Typical Monthly Demand of 6,000 Gallons



BES = Served by Beaches Energy Services *SJC = Served by St. Johns County* *JEA = Served by JEA*

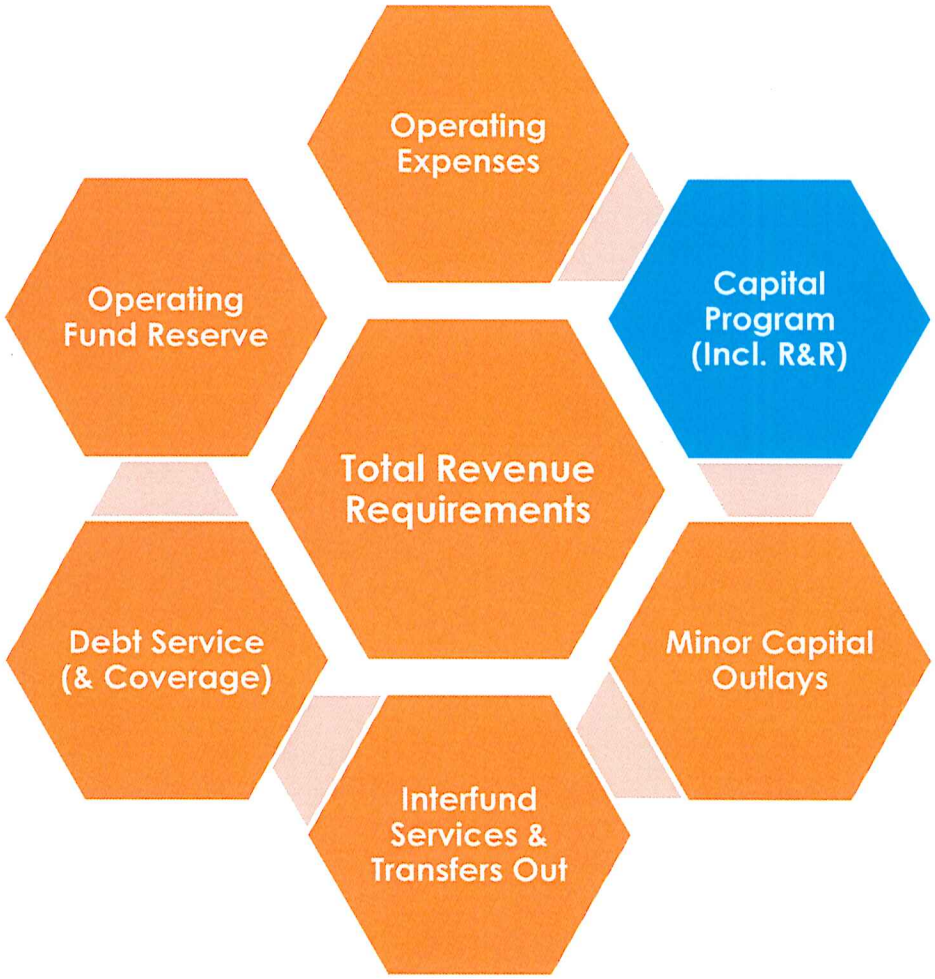
Revenue Sufficiency Analysis: Background & Objectives

- Water and sewer rates have not increased since 2009
- CIP Master Plan has identified future capital needs
- Stantec is evaluating the sufficiency of current water and sewer rates to fund identified future capital needs

Objectives

- Develop a multi-year utility financial management plan
- Evaluate sufficiency of current revenues to fund all requirements
- Identify alternative plans of future rate adjustments, if needed
- Perform a local cost comparison of monthly water and sewer bills

Financial Management Plan: Revenue Requirements



Key Challenge:

Funding future capital projects identified in CIP Master Plan for needed system expansion and R&R of existing system assets

Financial Management Plan: Key Assumptions & Base Data

- FY 2018 beginning fund balances per audited financial statements
  - *Financial Statements And Independent Auditors' Report, Sept 30, 2017*
- System growth to generate additional rate revenues
  - Approx. 0.7% per year through FY 2023; 0.4% per year thereafter
- Operating expenses based upon FY 2018 Revised Budget
  - Escalated annually for future cost inflation
  - Adjusted for historical spending vs budget
- 10-Year Capital Improvement Program, per CIP Master Plan
  - Escalated annually for future cost inflation
  - Adjusted for historical spending vs budget
- Operating Fund Reserve = 6 months of Operating Expenses

Financial Management Plan: Key Issues

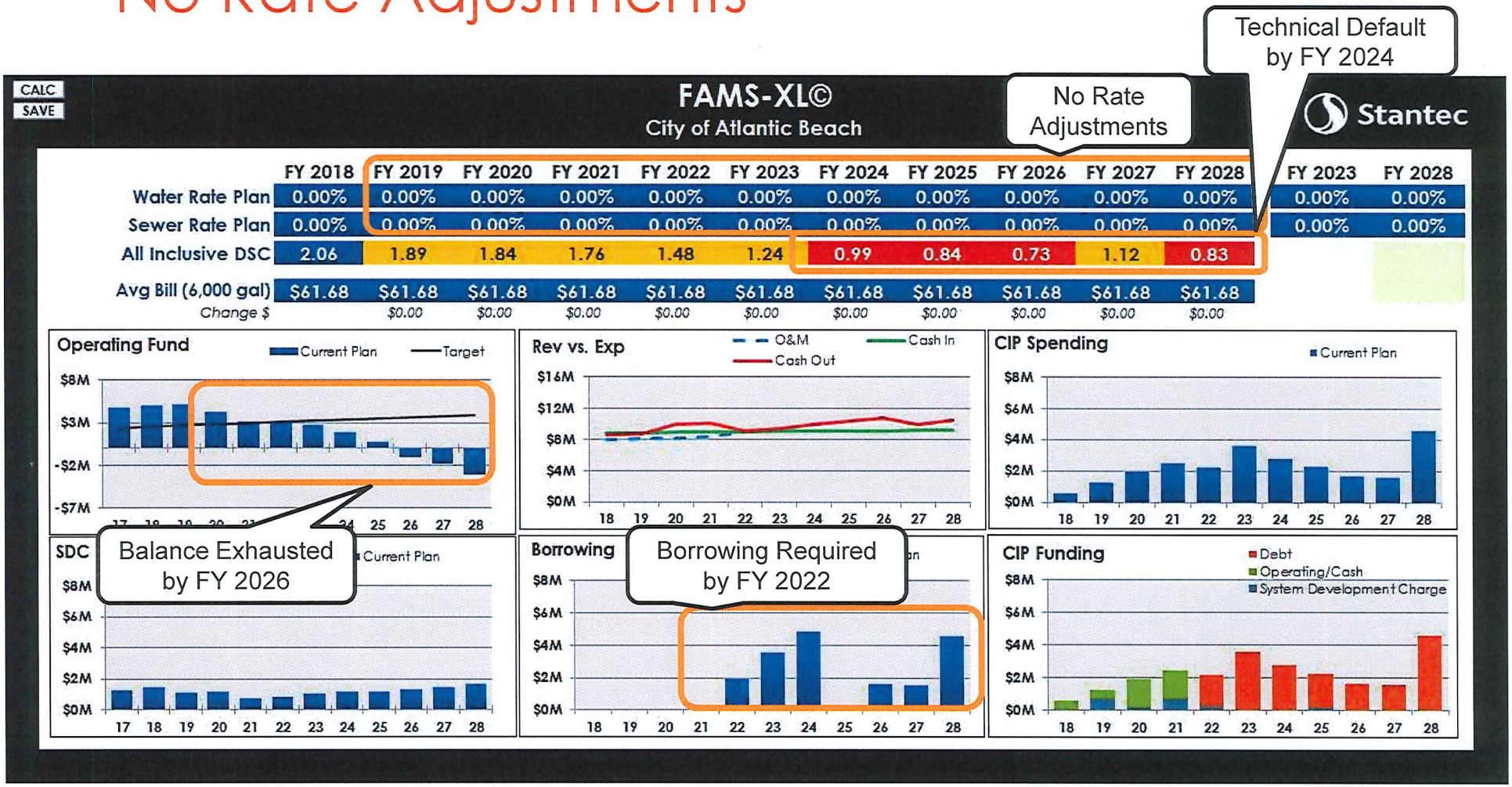
- Operating Expenses
  - Average annual cost inflation of approx. 3.6% assumed
  - Assumed spending execution vs budgeted/projected expenses:
    - Personal Services = 95% of Budget each year of forecast
    - Operating & Maint = 90% of Budget through FY 2021; 95% each year thereafter
- 6-Month Operating Fund Reserve
  - Approx. $2.5 million in FY 2018; approx. $3.8 million by FY 2028
- Capital Improvement Program
  - Average annual spending of approx. $2.4 million identified
    - Includes compounding annual cost inflation of 3.0%
    - Reflects 90% spending execution vs budget
  - *Notable projects listed on following slide…*

Financial Management Plan: Key Issues – Notable CIP Projects

- Water Projects
  - Replace Water Main on Sea Oats Drive: $600,000 in FY 2019
  - Replace Water Main on Selva Marina Drive: $640,000 in FY 2022
  - Water Treatment Plant #4: $3,500,000 in FY 2023
  - Replace Water Main on East Plaza: $688,000 in FY 2024
  - Replace Water Main on Seminole Road: $640,000 in FY 2026
  - Replace Water Main on SR A1A: $800,000 in FY 2028

- Sewer Projects
  - Septic to Sewer in Marsh Oaks: $450,000 in FY 2019; $600,000 in FY 2021
  - New Operations Building: $800,000 in FY 2024
  - New Equipment Vehicle Building: $700,000 in FY 2024
  - Replace Forecemain from LS Mayport Landing: $708,000 in FY 2027
  - Construct New Headworks: $2,600,000 in FY 2028

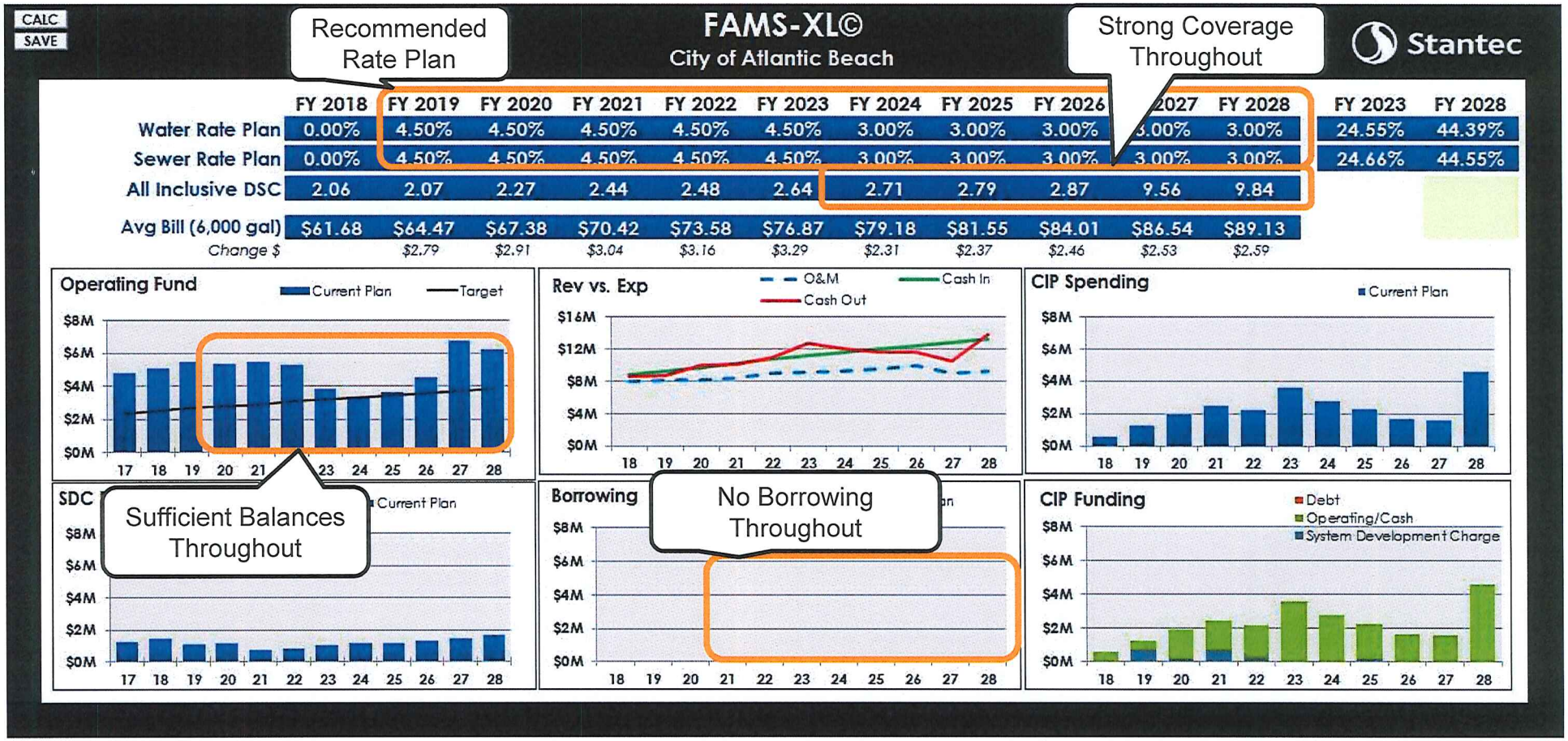
Diagnostic Evaluation of Status Quo: No Rate Adjustments



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2023	FY 2028
Water Rate Plan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sewer Rate Plan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
All Inclusive DSC	2.06	1.89	1.84	1.76	1.48	1.24	0.99	0.84	0.73	1.12	0.83		
Avg Bill (6,000 gal)	$61.68	$61.68	$61.68	$61.68	$61.68	$61.68	$61.68	$61.68	$61.68	$61.68	$61.68		
Change $		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00		

- Continuing with the status quo is not a feasible plan

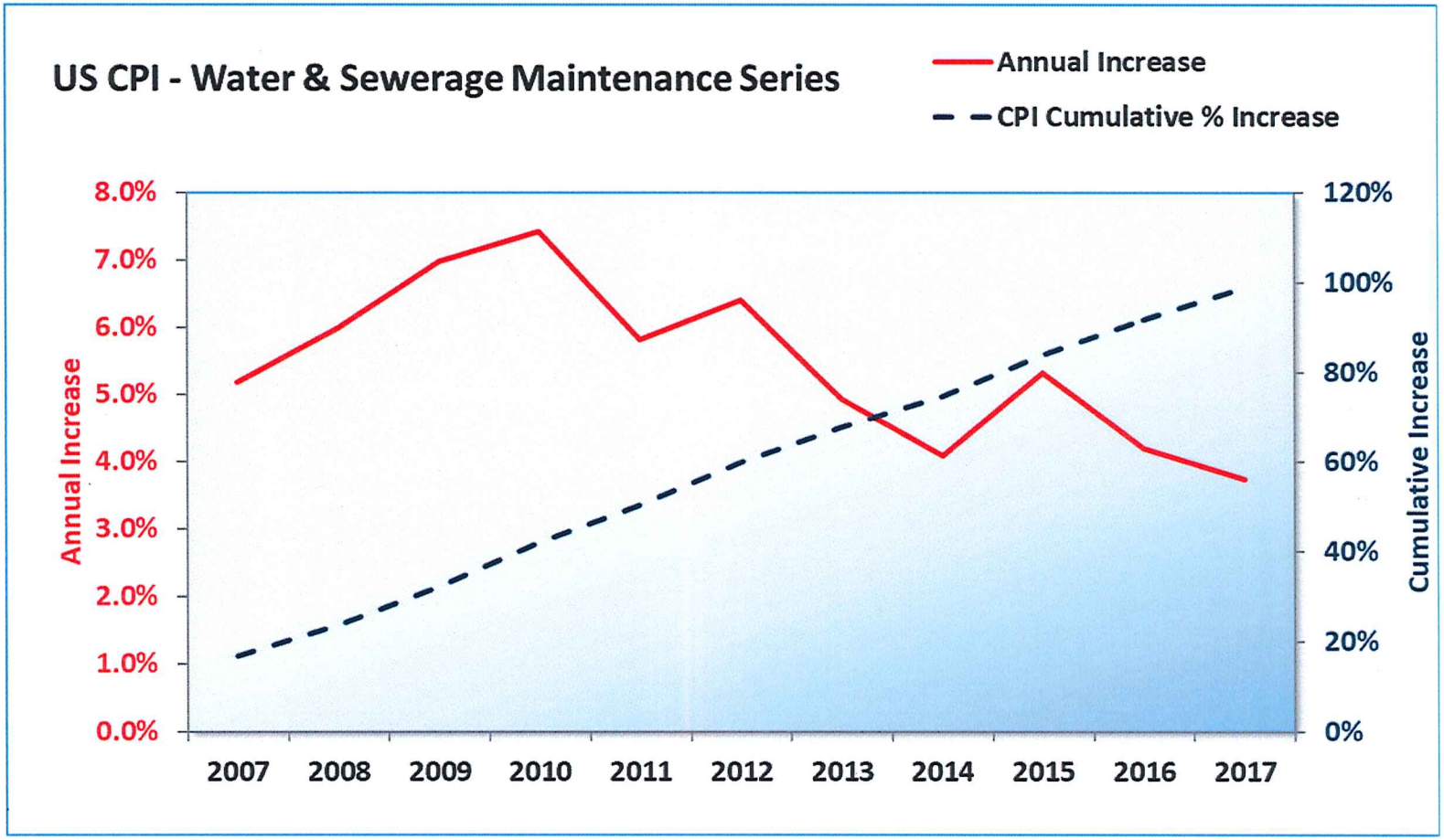
Recommended Rate Plan:
4.50% Annually thru FY 2023; 3.00% Thereafter



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2023	FY 2028
Water Rate Plan	0.00%	4.50%	4.50%	4.50%	4.50%	4.50%	3.00%	3.00%	3.00%	3.00%	3.00%	24.55%	44.39%
Sewer Rate Plan	0.00%	4.50%	4.50%	4.50%	4.50%	4.50%	3.00%	3.00%	3.00%	3.00%	3.00%	24.66%	44.55%
All Inclusive DSC	2.06	2.07	2.27	2.44	2.48	2.64	2.71	2.79	2.87	9.56	9.84		
Avg Bill (6,000 gal)	$61.68	$64.47	$67.38	$70.42	$73.58	$76.87	$79.18	$81.55	$84.01	$86.54	$89.13		
Change $		$2.79	$2.91	$3.04	$3.16	$3.29	$2.31	$2.37	$2.46	$2.53	$2.59		

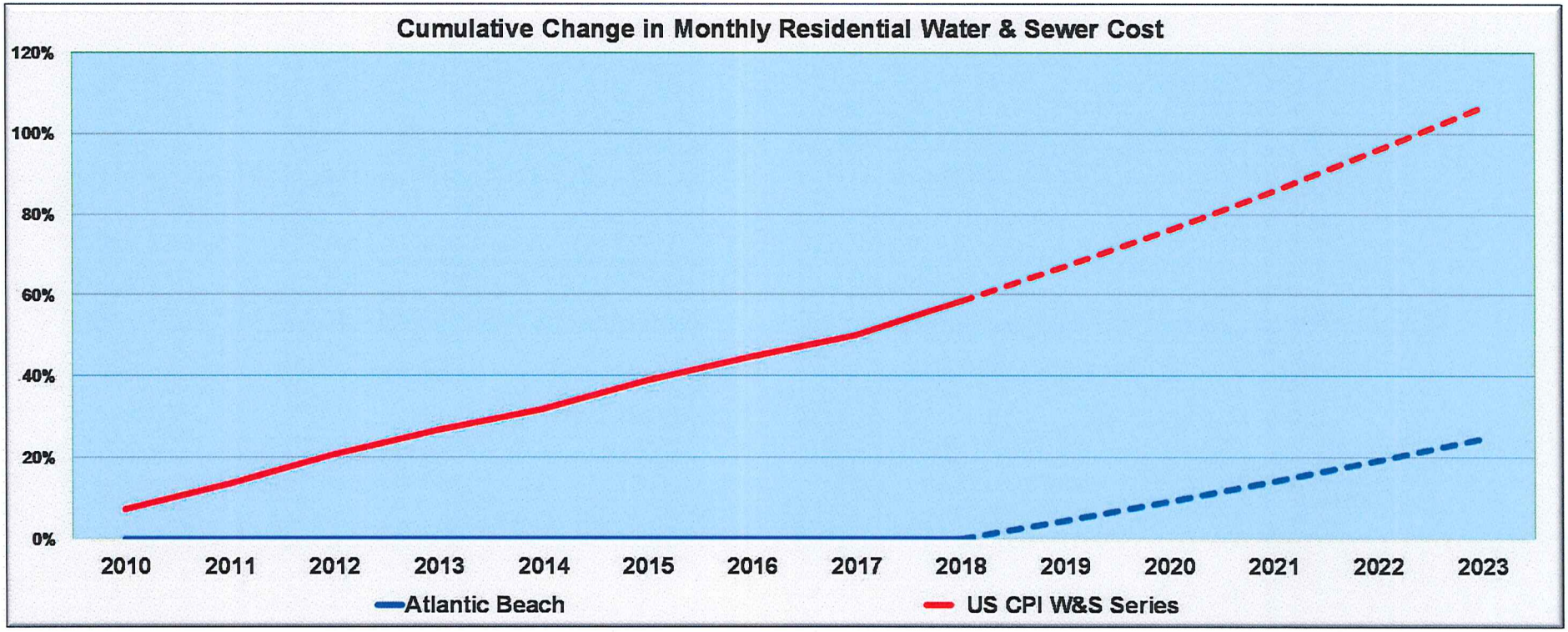
- Recommended rate plan is sufficient to fund all identified requirements without the need for new borrowing

National Industry Trend



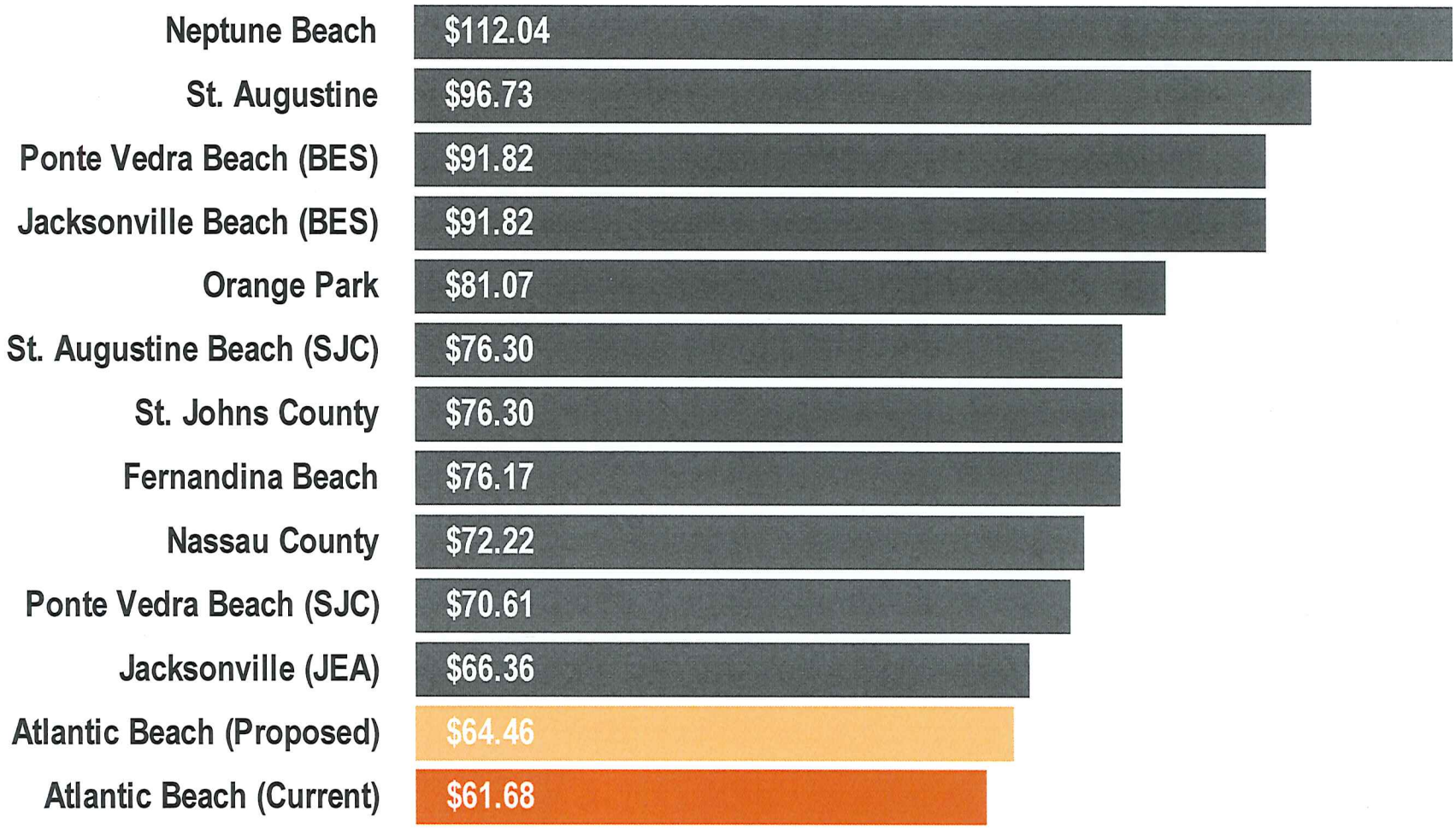
- Measures the average change in the cost of water and sewer service to households nationally
- Much more specific and relevant to utilities than overall CPI
- 10-year average annual increase = 5.5%

National Industry Trend: vs. City Trend



- The City's rates project to increase less than the national trend
  - National trend reflects10-year average annual increase of 5.5%
  - City trend reflects recommended annual increases of 4.5%

Local Water & Sewer Bill Survey: Typical Monthly Demand of 6,000 Gallons



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Questions and Discussion

Stantec