Rate Study

Delaware State Fair

Harrington's Goal

- To set and maintain utility rates and fees that are FAIR and ADEQUATE to sustain our system.

- "If there is not enough money to run the business, the business won't run."

The Proposed Rates

- Adequately cover system costs.
- Enables the system to build reserves
- Will be fair to all rate payers.
- Proportional to use versus flat rates.
- No usage allowance.

History of Rates

- Water and Sewer Rates were last changed in June, 2010 for FY11.
- That change was part of a five year phase in process.
- Rates have not changed since although there have been significant changes to operations and capital since 2010.

The Need for Rate Adjustments

- Since FY11, several factors have impacted the ability of the current rate structure to fully support the Water and Sewer Systems:
  - Implementation of Kent County Contract and related Fees
  - Increase in Debt Service
  - Establishment of Reserve and Contingency Funds
  - Change in Accounting Practices to better allocate General Fund Support to Water and Sewer(no net effect to entire budget).
  - Re-evaluation of Transfer to General Fund (budget distribution)
  - Water meter installation and desire to bill based on usage

Costs – Not Open for Debate

- Debt Service and
- Kent County Fees for Sewer.
  - Costs related to these items cannot be adjusted in the short term.
  - There is no debate as to how to apply these costs to the rate calculation as they are direct and unavoidable costs to the Water & Sewer Systems.

Increase in Sewer Fixed Costs

- Sewer Debt Service has increased by $271,000 annually since FY11 due to the construction of Force Main Project.
- The contract with Kent County for sewage treatment has increased costs annually by $134,000.*
- This is a total increase of $405,000 per year.

*$420,000 County Fees less Operations Savings of $286,000.

*The current year's charges to Kent County are expected to be $485,000 an additional $65,000

Sewer Costs

Total Annual System Costs:	
Personnel Costs	$367,035
General Fund Expense Allocation	$160,902
Waste Water G&A Costs	$91,741
Waste Water System Ops & Maintenance	$442,456
Debt Service & Reserves Costs	$653,683
TOTAL ANNUAL SYSTEM COSTS	**$1,715,817**

Sewer Rate Components

- Base Charge – charge required to cover the cost of:
  - Reserves
  - Contingency
  - ~~Transfer to General Fund~~
  - Sewer Debt Service
  - These costs need to be paid even if no sewer is transmitted.
  - Customers will be billed for the number of EDUs they transmitted during the calendar year prior to Harrington's fiscal year.
- Usage Rate – Charge required to cover the cost of operating the wastewater utility which include personnel costs, insurance, general and administrative costs and costs specific to the utility such as chemicals, line repair etc.
- KCSA Charge– Charge to cover the cost of treatment at Kent County. This charge is currently $2.34/Tgal

- Note: EDU = 250 gallons per day or 91,250 gallons per year.

Quarterly Sewer Rate

- Proposed
  - Base Charge = $80 per EDU
  - Usage charge = $8.10 (includes $2.34 Kent County Sewer Treatment Charge and $5.76 usage charge)

- Current
  - Minimum Charge = $140
  - Usage charge greater than 20,000 TGals = $6.08 (Commercial Only)

Calculation for Base Bill Charge

Minimum Bill Calculation:		*(this is the min*
Fixed Costs:		
Reserves	$ 200,000	30.60%
Contingency	$ 29,300	4.48%
Transfer to General Fund	$ -	0.00%
Total Wastewater Debt	$ 424,383	64.92%
TOTAL FIXED COSTS:	$ 653,683	100.00%
divide by # of EDU's	2,106	
	Annual	***Per Billing***
= Minimum Charge	310.45	77.61
Uniform Rate Calculations:		
Minimum Charge:		80.00

Base Bill Calculations

- Base Charge – Based on the number of Equivalent Dwelling Units (EDU) or billable units consumed or transmitted during the calendar year prior to the upcoming City Fiscal Year.
  - An Equivalent Dwelling Unit (EDU) equals 250 gallons per day or 91,250 gallons per year
  - Usage from January 2013 thru December 2013

DSF Base Bill Calculation

	Jan 2013 - Mar 2013	Apr 2013 - Jun 2013	Jul 2013 - Sep 2013	Oct 2013 - Dec 2013	Total Sewer Usage
Gallons	3,960,220	4,435,206	6,014,630	4,626,081	19,036,137

Base Bill Calculation	
Total Sewer Usage	19,036,137
Annual EDU Gallons	91,250
EDU/ Billable Units	208.62
Rounded to nearest whole	209
Base Quarterly Bill for FY 2015	$ 16,720

Usage Charge

- Based on actual usage during the quarter
- Equals $5.76 ($8.10-$2.34 KCTC) per 1000 gallons

Kent County Sewer Treatment Charge

- Equals $2.34 per 1000 gallons.
- Kent County Charge to Harrington for treating sewer.

Calculation of the Usage Fee

NON-RATE REVENUES	
Capital Recovery/Impact Fees	
Hook Up/Connection Fees	$ 2,000
Availabilty Fees	
Special Assessment Revenues	
Fee for Services/Special Charges/Contract Work earnings	$ 2,000
Subdivision and Plan Review Fees	
Septage Disposal Fees	
Sale of Assets/Property	
Interest on Investments and/or Deposits	
Penalties, Late Fees and related charges	$ 10,000
Franchise Fees, Payments in Lieu of Taxes	
Transfers from Prior Years' Fund Balance	
Miscellaneous	
TOTAL NON-RATE REVENUE	$ 14,000
RATE REVENUE REQUIREMENT CALCULATION:	
TOTAL SYSTEM COSTS:	$ 1,715,817
LESS NON-RATE REVENUE:	$ 14,000
= RATE REVENUE REQUIRED FOR COST RECOVERY	$ 1,701,817

Usage Rate of $8.10 as Proposed

Usage & Customer Blocks						
Type	# EDU's	Min Charge Rev Per Bill	Min Chg Rev Per Year	Average Gal. Used Per Bill	Usage Rev per Year	Total Rev per Year
Residential	**1,531**	$ 122,480	$ 489,920	17,871,067	579,022.55	$ 1,068,943
Farmington	86	$ 9,150	$ 36,602	1,296,589	55,872.59	$ 92,474
Out of Town R	9	$ 958	$ 3,830	114,881	4,950.45	$ 8,781
Demo	-	$ -	$ -	-	-	$ -
City	-	$ -	$ -	-	-	$ -
Subtotal Non Commercia	1,626	$ 132,588	$ 530,352	19,282,536	639,846	1,170,198
Commercial	271	$ 21,680	$ 86,720	4,507,826	146,053.56	$ 232,774
Out Commercial (DSF)	209	$ 16,689	$ 66,757	4,759,034	154,192.71	$ 220,950
Subtotal Commercial	480	$ 38,369	$ 153,477	9,266,860	300,246	453,723
Total	2,106	$ 170,957	$ 683,829	28,549,396	940,092	$ 1,623,921

Revenue Check	
Projected Revenue	$ 1,623,921
LESS	
Rate Revenue Required	$ (1,735,854)
EQUALS	
Surplus/(Deficit)	**$ (111,933)**

This number is 102 percent of revenue requirement and allows for two percent fund balance

Estimated Billing for DSF with Comparison

Proposed $80 Base Charge/$8.10 Usage Charge

Proposed Rates	Jan 2013 - Mar 2013	Apr 2013 - Jun 2013	Jul 2013 - Sep 2013	Oct 2013 - Dec 2013	Total
Gallons	3,960,220	4,435,206	6,014,630	4,626,081	19,036,137
Base	$ 16,720	$ 16,720	$ 16,720	$ 16,720	$ 66,880
Usage	$ 32,078	$ 35,925	$ 48,719	$ 37,471	$ 154,193
Total	$ 48,798	$ 52,645	$ 65,439	$ 54,191	**$ 221,073**
Current Rates					
Flat Charge	$ 140	$ 140	$ 140	$ 140	$ 560
Usage Charge	$ 23,957	$ 26,844	$ 36,447	$ 28,005	$ 115,253
Total	$ 24,097	$ 26,984	$ 36,587	$ 28,145	**$ 115,813**
Difference	**$ 24,701**	**$ 25,661**	**$ 28,851**	**$ 26,046**	**$ 105,259**

Rates do not include the usage guarantee of 80,000 per day.

Questions?

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