

Rate Study

Farmington Customers

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.
- ▶ These rates were 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 re-negotiated 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 \$60,000

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
 - Sewer Debt Service
 - These costs need to be paid even if no Sewer is transmitted.
- ▶ 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

Quarterly Sewer Rate

- ▶ Proposed In-City Rate
 - Base Charge = \$80 per EDU
 - Usage Charge = \$8.10 per 1,000 gallons (TGals)
- ▶ Proposed Out-of-City Rate
 - Base Charge = \$106.40 per EDU
 - Usage Charge = \$10.77 per 1,000 gallons (TGals)
 - Note that out-of-city rates are 1.33 times in-city rates. This is an acceptable USDA standard.
- ▶ Current In-City Rate
 - Minimum Charge = \$140
 - Usage charge greater than 20,000 TGals = \$6.08 (Commercial Only)
- ▶ Current Out-of-City Rate
 - Minimum Charge = \$186.20
 - Usage charge greater than 20,000 TGals = \$8.086

Proposed

Current

Proposed Rate Comparison Chart

			Proposed Sewer	Current Sewer		
Base Bill			\$ 106.40	\$ 165.00		
Usage Rate			\$ 10.77	\$ 7.17		
Quarterly Consumption	EDU				Quarterly (Savings)/ Increase	Annual (Savings)/ Increase
5,000	1		\$ 160.25	\$ 165.00	\$ (4.75)	\$ (19.00)
6,000	1		\$ 171.02	\$ 165.00	\$ 6.02	\$ 24.08
7,000	1		\$ 181.79	\$ 165.00	\$ 16.79	\$ 67.16
8,000	1		\$ 192.56	\$ 165.00	\$ 27.56	\$ 110.24
9,000	1		\$ 203.33	\$ 165.00	\$ 38.33	\$ 153.32
10,000	1		\$ 214.10	\$ 165.00	\$ 49.10	\$ 196.40
11,000	1		\$ 224.87	\$ 165.00	\$ 59.87	\$ 239.48
12,000	1		\$ 235.64	\$ 165.00	\$ 70.64	\$ 282.56
13,000	1		\$ 246.41	\$ 165.00	\$ 81.41	\$ 325.64
14,400	1		\$ 261.49	\$ 165.00	\$ 96.49	\$ 385.95
14,000	1		\$ 257.18	\$ 165.00	\$ 92.18	\$ 368.72
15,000	1		\$ 267.95	\$ 165.00	\$ 102.95	\$ 411.80
16,000	1		\$ 278.72	\$ 165.00	\$ 113.72	\$ 454.88
17,000	1		\$ 289.49	\$ 165.00	\$ 124.49	\$ 497.96
18,000	1		\$ 300.26	\$ 165.00	\$ 135.26	\$ 541.04
19,000	1		\$ 311.03	\$ 165.00	\$ 146.03	\$ 584.12
20,000	1		\$ 321.80	\$ 165.00	\$ 156.80	\$ 627.20

How Will Farmington Customers be Billed?

- ▶ The Farmington District is metered at the Farmington Pump Station.
- ▶ Each month readings will be taken at the pump station and tabulated quarterly.
- ▶ The Farmington Pump Station Transmission for a quarter will be divided by the number of customers in the district (currently 86).
- ▶ Each customer will be billed an out-of-city base charge, an out-of-city usage charge for their share of the transmission, and for the Kent County Treatment Charge.

January 2013– December 2013

Farmington Pump Station Transmission Readings

		Previous Read	End Read	Usage
January	2013	8,350,658	8,768,323	417,665
February	2013	8,768,323	9,192,295	423,972
March	2013	9,192,295	9,742,609	550,314
April	2013	9,742,609	10,209,464	466,855
May	2013	10,209,464	10,674,139	464,675
June	2013	10,674,139	11,145,790	471,651
July	2013	11,145,790	11,602,245	456,455
August	2013	11,602,245	11,935,971	333,726
September	2013	11,935,971	12,227,857	291,886
October	2013	12,227,857	12,674,746	446,889
November	2013	12,674,746	13,040,733	365,987
December	2013	13,040,733	13,537,012	496,279
		Total Annual Sewer Transmisssion		5,186,354

Farmington Individual's Proportionate Share of 2013 Transmission

Total Annual Sewer Transmisssion	5,186,354
Individual Annual Transmission	60,306
Individual Quarterly Transmission	15,077

**Industry Average for 3 months of
transmission = 15,000 gallons
Harrington's metered average =
14,400 gallon**

Estimated Quarterly Billing

Based on 15,077 Gallons Per Quarter

Base Billing			\$	106.40
Usage Billing (\$8.43 per 1,000 Gallons)			\$	127.10
Kent County Treatment Charge (\$2.34 per 1,000 Gallons)			\$	35.28
			\$	268.78

**Conserving Water and
Transmitting Less Sewer
will Save Money!!**

Questions?

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