

Rate Study

In-City Residents

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

Water Costs

Total Annual System Costs:	
Personnel Costs	\$159,602
General Fund Expense Allocation	\$45,675
Water G&A Costs	\$43,916
Water System Ops & Maintenance	\$27,765
Debt Service & Reserves Costs	\$180,512
TOTAL ANNUAL SYSTEM COSTS	\$457,470

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

Water Rate Components

- ▶ Base Charge – charge required to cover the cost of:
 - Reserves
 - Contingency
 - ~~Transfer to General Fund~~
 - Water Debt Service
 - These costs need to be paid even if no water is sold.
- ▶ Usage Rate – charge required to cover the cost of operating the water utility which includes personnel costs, insurance, general and administrative costs and costs specific to the utility such as chemicals, line repair etc.

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.
- ▶ 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 Water Rate

▶ Proposed

- Base Charge = \$35 per EDU
- Usage Charge = \$3.25 per 1,000 gallons (Tgals)

▶ Current

- Minimum Charge = \$96.17
- Usage charge greater than 20,000 TGals = \$1.50 (Commercial Only)

Quarterly Sewer Rate

▶ Proposed

- Base Charge = \$80 per EDU
- Usage charge = \$8.10 (includes \$2.34 Kent County Sewer Treatment Charge)

▶ Current

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

Proposed Rate Comparison Chart

		Proposed			Current				
		Water	Sewer		Water	Sewer			
Base Bill		35.00	80.00		\$ 96.17	\$ 140.00			
Usage Rate		3.25	8.10		\$ 1.50	\$ 6.08	> 20,000 gal.		
Quarterly Consumption	EDU	Water	Sewer	Total Bill	Water	Sewer	Total Bill	Quarterly (Savings)/ Increase	Annual (Savings)/ Increase
5,000	1	\$ 51.25	\$ 120.50	\$ 171.75	\$ 96.17	\$ 140.00	\$ 236.17	\$ (64.42)	\$ (257.68)
6,000	1	\$ 54.50	\$ 128.60	\$ 183.10	\$ 96.17	\$ 140.00	\$ 236.17	\$ (53.07)	\$ (212.28)
7,000	1	\$ 57.75	\$ 136.70	\$ 194.45	\$ 96.17	\$ 140.00	\$ 236.17	\$ (41.72)	\$ (166.88)
8,000	1	\$ 61.00	\$ 144.80	\$ 205.80	\$ 96.17	\$ 140.00	\$ 236.17	\$ (30.37)	\$ (121.48)
9,000	1	\$ 64.25	\$ 152.90	\$ 217.15	\$ 96.17	\$ 140.00	\$ 236.17	\$ (19.02)	\$ (76.08)
10,000	1	\$ 67.50	\$ 161.00	\$ 228.50	\$ 96.17	\$ 140.00	\$ 236.17	\$ (7.67)	\$ (30.68)
11,000	1	\$ 70.75	\$ 169.10	\$ 239.85	\$ 96.17	\$ 140.00	\$ 236.17	\$ 3.68	\$ 14.72
12,000	1	\$ 74.00	\$ 177.20	\$ 251.20	\$ 96.17	\$ 140.00	\$ 236.17	\$ 15.03	\$ 60.12
13,000	1	\$ 77.25	\$ 185.30	\$ 262.55	\$ 96.17	\$ 140.00	\$ 236.17	\$ 26.38	\$ 105.52
14,400	1	\$ 81.80	\$ 196.64	\$ 278.44	\$ 96.17	\$ 140.00	\$ 236.17	\$ 42.27	\$ 169.08
14,000	1	\$ 80.50	\$ 193.40	\$ 273.90	\$ 96.17	\$ 140.00	\$ 236.17	\$ 37.73	\$ 150.92
15,000	1	\$ 83.75	\$ 201.50	\$ 285.25	\$ 96.17	\$ 140.00	\$ 236.17	\$ 49.08	\$ 196.32
16,000	1	\$ 87.00	\$ 209.60	\$ 296.60	\$ 96.17	\$ 140.00	\$ 236.17	\$ 60.43	\$ 241.72
17,000	1	\$ 90.25	\$ 217.70	\$ 307.95	\$ 96.17	\$ 140.00	\$ 236.17	\$ 71.78	\$ 287.12
18,000	1	\$ 93.50	\$ 225.80	\$ 319.30	\$ 96.17	\$ 140.00	\$ 236.17	\$ 83.13	\$ 332.52
19,000	1	\$ 96.75	\$ 233.90	\$ 330.65	\$ 96.17	\$ 140.00	\$ 236.17	\$ 94.48	\$ 377.92
20,000	1	\$ 100.00	\$ 242.00	\$ 342.00	\$ 96.17	\$ 140.00	\$ 236.17	\$ 105.83	\$ 423.32

How Will Messicks Sewer Customers be Billed?

- ▶ The Messicks District is metered at the Messicks Pump Station.
- ▶ The Messicks Pump Station Transmission will be divided by the number of customers in the district.
- ▶ Each customer will be billed a base charge, a usage charge for their share of the transmission, and for the Kent County Treatment Charge.

January 2013– December 2013 Messicks Pump Station Transmission Readings

		Previous Read	End Read	Usage
January	2013	87,670,017	88,730,640	1,060,623
February	2013	88,730,640	89,641,269	910,629
March	2013	89,641,269	90,608,480	967,211
April	2013	90,608,480	91,497,874	889,394
May	2013	91,497,874	92,356,073	858,199
June	2013	92,356,073	93,241,844	885,771
July	2013	93,241,844	94,232,636	990,792
August	2013	94,232,636	95,122,512	889,876
September	2013	95,122,512	95,975,505	852,993
October	2013	95,975,505	97,039,302	1,063,797
November	2013	97,039,302	98,019,845	980,543
December	2013	98,019,845	99,087,246	1,067,401
		Total Annual Sewer Transmisssion		11,417,229

Messicks Individual's Proportionate Share of 2013 Sewer Transmission

Total Annual Sewer Transmisssion	11,417,229
Individual Annual Transmission	85,203
Individual Quarterly Transmission	21,301

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

Estimated Quarterly Messicks Sewer Billing Based on 21,301 Gallons Per Quarter

Base Billing			\$	80.00
Usage Billing (\$8.10 per 1,000 Gallons)			\$	122.69
Kent County Treatment Charge (\$2.34 per 1,000 Gallons)			\$	49.84
			\$	252.54

Rate Standards

- ▶ Residential rates should be between 1.5% – 3% of Median Household Income (MHI).
 - Based on a report from DNREC, Harrington's MHI is \$40,204.
 - Harrington's current average wastewater rate is 1.421% of MHI.
 - Harrington's proposed wastewater rate is 2.00%
 - Harrington's current average water rate is .95%
 - Harrington's proposed water rate is .83%

Rate Standards– continued

- ▶ Residential rates should be between \$400 – \$600 per year per utility.
 - Current annual wastewater rates = \$560
 - Proposed annual wastewater rate = \$806
 - Current annual water rates = \$384.68
 - Proposed annual water rates = \$355.00
- ▶ Separately the proposed rates for Water and Wastewater do not meet this standard.
- ▶ Together the proposed rates are close to meeting this standard.
 - Combined rate standard = \$800 – \$1,200
 - Combined the rates are \$1,161

Advantages of Removing General Fund Transfer from the Utilities

- ▶ Better Accounting and Accountability
 - All funds will be self supporting.
 - Revenues are aligned with expenses.
- ▶ Rate payers are paying for only services they are provided.
- ▶ Rates are fair.

Funding \$236,000 from Taxes

- ▶ Current tax rate is 71 cents per \$100 of assessed value.
- ▶ Tax rate would increase 23 cents.
- ▶ Last tax increase – 12 years ago
 - 20 cents on June 17, 2002

Projected Tax Increase Impact

	Tax Rate	Current \$.71/\$100	Proposed \$.94/\$100		
		0.0071	0.0094		
	Assessed Value	Current Bill	Proposed Bill	Annual Increase	Qtrly Increase
	\$ 24,900	\$ 176.79	\$ 234.06	\$ 57.27	\$ 14.32
	\$ 28,000	\$ 198.80	\$ 263.20	\$ 64.40	\$ 16.10
	\$ 30,000	\$ 213.00	\$ 282.00	\$ 69.00	\$ 17.25
	\$ 31,250	\$ 221.88	\$ 293.75	\$ 71.88	\$ 17.97
	\$ 31,500	\$ 223.65	\$ 296.10	\$ 72.45	\$ 18.11
	\$ 35,000	\$ 248.50	\$ 329.00	\$ 80.50	\$ 20.13
Average	\$ 38,700	\$ 274.77	\$ 363.78	\$ 89.01	\$ 22.25
	\$ 40,000	\$ 284.00	\$ 376.00	\$ 92.00	\$ 23.00
	\$ 43,300	\$ 307.43	\$ 407.02	\$ 99.59	\$ 24.90
	\$ 45,000	\$ 319.50	\$ 423.00	\$ 103.50	\$ 25.88
	\$ 50,000	\$ 355.00	\$ 470.00	\$ 115.00	\$ 28.75
	\$ 55,000	\$ 390.50	\$ 517.00	\$ 126.50	\$ 31.63
	\$ 59,000	\$ 418.90	\$ 554.60	\$ 135.70	\$ 33.93
	\$ 60,000	\$ 426.00	\$ 564.00	\$ 138.00	\$ 34.50
	\$ 65,000	\$ 461.50	\$ 611.00	\$ 149.50	\$ 37.38
	\$ 70,000	\$ 497.00	\$ 658.00	\$ 161.00	\$ 40.25
	\$ 75,000	\$ 532.50	\$ 705.00	\$ 172.50	\$ 43.13
	\$ 80,000	\$ 568.00	\$ 752.00	\$ 184.00	\$ 46.00
	\$ 85,000	\$ 603.50	\$ 799.00	\$ 195.50	\$ 48.88
	\$ 90,000	\$ 639.00	\$ 846.00	\$ 207.00	\$ 51.75
	\$ 95,000	\$ 674.50	\$ 893.00	\$ 218.50	\$ 54.63
	\$ 100,000	\$ 710.00	\$ 940.00	\$ 230.00	\$ 57.50
	\$ 105,000	\$ 745.50	\$ 987.00	\$ 241.50	\$ 60.38
	\$ 110,000	\$ 781.00	\$ 1,034.00	\$ 253.00	\$ 63.25
	\$ 113,500	\$ 805.85	\$ 1,066.90	\$ 261.05	\$ 65.26
	\$ 125,000	\$ 887.50	\$ 1,175.00	\$ 287.50	\$ 71.88
	\$ 150,000	\$ 1,065.00	\$ 1,410.00	\$ 345.00	\$ 86.25
	\$ 169,600	\$ 1,204.16	\$ 1,594.24	\$ 390.08	\$ 97.52
	\$ 282,000	\$ 2,002.20	\$ 2,650.80	\$ 648.60	\$ 162.15

How Does this Effect Rate Payers

- ▶ Dependent on the Assessed Value of Property.
- ▶ Dependent on the Actual Usage of Property.

Conserving Water and Transmitting Less Sewer will Save Money!!

Questions?

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