

# Rate Study

## Out-of-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

<b>Total Annual System Costs:</b>	
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
<b>TOTAL ANNUAL SYSTEM COSTS</b>	<b>\$457,470</b>

# Sewer Costs

<b>Total Annual System Costs:</b>	
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
<b>TOTAL ANNUAL SYSTEM COSTS</b>	<b>\$1,715,817</b>

# Water Rate Components

- ▶ Base Charge – charge required to cover the cost of:
  - Reserves
  - Contingency
  - 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
  - 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 In-City Rate
  - Base Charge = \$35 per EDU
  - Usage Charge = \$3.25 per 1,000 gallons (Tgals)
- ▶ Proposed Out-of-City Rate
  - Base Charge = \$46.55 per EDU
  - Usage Charge = \$4.32 per 1,000 gallons (Tgals)
- ▶ Current In-City Rate
  - Minimum Charge = \$96.17
  - Usage charge greater than 20,000 TGals = \$1.50 (commercial only)
- ▶ Current Out-of-City Rate
  - Minimum Charge = \$127.91
  - Usage charge greater than 20,000 TGals = \$1.995 (commercial only)

Proposed Rates

Current Rates

# 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)
- ▶ 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 (commercial only)

Proposed

Current

# How will out-of-City Unmetered Customers be billed?

- ▶ Customers with no meters will be billed based on the average of Harrington metered customers.
- ▶ The average will be determined using Harrington metered customers consumption for the calendar year preceding the upcoming Fiscal Year.
  - For Fiscal Year 15 (begins July 1) the calendar year 2013 meter readings were used.
- ▶ The average for Calendar Year 13 is 14,400 gallons per quarter.

# Proposed Rate Comparison Chart

		Proposed			Current				
		Water	Sewer		Water	Sewer			
Base Bill		46.55	106.40		\$ 96.17	\$ 165.00			
Usage Rate		4.32	10.77		\$ 1.5000	\$ 7.174	> 20,000 gal.		
Quarterly Consumption	EDU	Water	Sewer	Total Bill	Water	Sewer	Total Bill	Quarterly (Savings)/ Increase	Annual (Savings)/ Increase
5,000	1	\$ 68.15	\$ 160.25	\$ 228.40	\$ 96.17	\$ 165.00	\$ 261.17	\$ (32.77)	\$(131.08)
6,000	1	\$ 72.47	\$ 171.02	\$ 243.49	\$ 96.17	\$ 165.00	\$ 261.17	\$ (17.68)	\$(70.72)
7,000	1	\$ 76.79	\$ 181.79	\$ 258.58	\$ 96.17	\$ 165.00	\$ 261.17	\$ (2.59)	\$(10.36)
8,000	1	\$ 81.11	\$ 192.56	\$ 273.67	\$ 96.17	\$ 165.00	\$ 261.17	\$ 12.50	\$ 50.00
9,000	1	\$ 85.43	\$ 203.33	\$ 288.76	\$ 96.17	\$ 165.00	\$ 261.17	\$ 27.59	\$ 110.36
10,000	1	\$ 89.75	\$ 214.10	\$ 303.85	\$ 96.17	\$ 165.00	\$ 261.17	\$ 42.68	\$ 170.72
11,000	1	\$ 94.07	\$ 224.87	\$ 318.94	\$ 96.17	\$ 165.00	\$ 261.17	\$ 57.77	\$ 231.08
12,000	1	\$ 98.39	\$ 235.64	\$ 334.03	\$ 96.17	\$ 165.00	\$ 261.17	\$ 72.86	\$ 291.44
13,000	1	\$ 102.71	\$ 246.41	\$ 349.12	\$ 96.17	\$ 165.00	\$ 261.17	\$ 87.95	\$ 351.80
14,400	1	\$ 108.76	\$ 261.49	\$ 370.25	\$ 96.17	\$ 165.00	\$ 261.17	\$ 109.08	\$ 436.30
14,000	1	\$ 107.03	\$ 257.18	\$ 364.21	\$ 96.17	\$ 165.00	\$ 261.17	\$ 103.04	\$ 412.16
15,000	1	\$ 111.35	\$ 267.95	\$ 379.30	\$ 96.17	\$ 165.00	\$ 261.17	\$ 118.13	\$ 472.52
16,000	1	\$ 115.67	\$ 278.72	\$ 394.39	\$ 96.17	\$ 165.00	\$ 261.17	\$ 133.22	\$ 532.88
17,000	1	\$ 119.99	\$ 289.49	\$ 409.48	\$ 96.17	\$ 165.00	\$ 261.17	\$ 148.31	\$ 593.24
18,000	1	\$ 124.31	\$ 300.26	\$ 424.57	\$ 96.17	\$ 165.00	\$ 261.17	\$ 163.40	\$ 653.60
19,000	1	\$ 128.63	\$ 311.03	\$ 439.66	\$ 96.17	\$ 165.00	\$ 261.17	\$ 178.49	\$ 713.96
20,000	1	\$ 132.95	\$ 321.80	\$ 454.75	\$ 96.17	\$ 165.00	\$ 261.17	\$ 193.58	\$ 774.32

# 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.

# Questions?

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