

City of Harrington
MINUTES
Proposed Water and Sewer Rate Public Meeting
April 9, 2014

A meeting with the Harrington City Council was held at Harrington City Hall, 106 Dorman Street, on April 9, 2014 and was attended by the following: Mayor Anthony R. Moyer; Council Member Duane E. Bivans; Council Member Fonda Coleman; Council Member Amy Minner; Council Member Charles W. Porter; Council Member Kenneth Stubbs; Teresa Tieman, City Manager; and Rhiannon Bush, City Clerk.

Also present: Marie Cunningham; Eve Moyer; and Jean Holloway, Delaware Rural Water Association.

Vice Mayor Cheryl Lahman was absent.

The Pledge of Allegiance was given.

Proposed Water and Sewer Rates

The City Manager presented the attached slideshow.

Council Member Bivans asked for clarification on the out-of-City unmetered customer charges. The City Manager stated that the charges are based on the average usage for residential customers for the previous year since there is no water or sewer meter for actual readings.

The City Manager stated that City is investigating having water meters installed for out-of-town water users at the City's cost. Mayor Moyer stated that at one time, all residents paid for water meters, and it would be fair for out-of-City users to at least pay a portion. The City Manager stated that they could be charged. The City Clerk stated that there is only five out-of-city water customers that are unmetered, and it was a special circumstance; they are grouped together. The City Manager stated that DNREC installed a well, and there are some contractual issues.

Marie Cunningham asked how it was determined that fourteen thousand four hundred gallons was a fair usage to charge those that are unmetered. Jean Holloway stated that the industry standard for usage is fifteen thousand gallons per quarter, and the City is using the average for a Harrington user based on actual readings.

Ms. Cunningham asked if the utility rates are being considered along with the taxes. Mayor Moyer stated that the impact on taxes was discussed at the last

rate meeting with the in-City customers. Ms. Holloway stated that it is common that out-of-town users are charged slightly more because those customers do not pay taxes.

Mayor Moyer stated that the first usage based bill will be in October. The City Manager stated that billing will be quarterly, but readings are done monthly in case a leak is detected.

There being no further business, the meeting adjourned.

Respectfully Submitted,

Kelly Blanchies
Clerk of Council

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

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
 - 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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