

**City of Harrington**  
**MINUTES**  
**Proposed Water and Sewer Rate Public Meeting**  
**April 23, 2014**

A meeting with the Harrington City Council was held at Harrington City Hall, 106 Dorman Street, on April 23, 2014 and was attended by the following: Mayor Anthony R. Moyer; Vice Mayor Cheryl Lahman; Council Member Duane E. Bivans; Council Member Fonda Coleman; Council Member Amy Minner; Council Member Charles W. Porter; Council Member Kenneth Stubbs; William Pepper, City Solicitor; Teresa Tieman, City Manager; Dean Gary, Accountant; and Rhiannon Bush, City Clerk.

Also present: Rebecca Greene; Amy Lupinetti; Joe Gannon; Marie Gannon; Bob Souza; Bill DiMondi; Mary Layton; Paul Ranall; Tina Hawkins; Dirk Gleysteen; Gina Kratsas; Marilyn Parnell; and Jean Holloway, Delaware Rural Water Association.

**Proposed Water and Sewer Rates**

The City Manager presented the attached slideshow.

An audience member asked if the equivalent dwelling unit (EDU) for a vacant building is zero. The City Manager stated that every building has at least one EDU unless completely removed from the system, in which case the property owner would have to pay impact fees to reconnect to the system.

An audience member asked about water meters. The City Manager stated that all water meters are installed with the exception of those that are difficult to get to. Separate meters can be installed for different units at a commercial establishment or apartment building at the owner's expense.

An audience member asked about irrigation lines. The City Manager stated that irrigation lines will not be billed for sewer.

Bob Souza stated that he is concerned about the base rate of eighty dollars (\$80) per EDU. There is inadequate information to support the figures on the debt service. The new rates are happening too quickly and most people do not know what is happening. The City Manager stated that all the information on debt service is public information.

Jean Holloway asked how many public meetings are required in the Charter for changing rates. The City Manager stated that two readings and a public hearing for the ordinance is required. Mayor Moyer stated that the Council is trying to be very open with the rates and meetings. Vice Mayor Lahman stated that rates

have been discussed for a year or more. The City Manager stated that all of the referendums for debt had to be voted on by the public.

Bill DiMondi stated that he has submitted a letter to request information. The City Manager stated that due to the pending litigation, the City Solicitor must review any communications. Council Member Porter stated that the Delaware State Fair could have approached the Delaware State Fair Contract Committee with any questions. Mayor Moyer asked if any of Mr. DiMondi's questions tonight have to do with the pending litigation. Mr. DiMondi replied no.

Mr. DiMondi asked what the general fund allocation includes. The City Manager replied that it is items such as computers, insurance, audit expenses, building maintenance, supplies, office equipment, legal fees, training, uniforms, vehicles, and tools.

Mr. DiMondi asked what is included in wastewater system and operations. The City Manager replied that it includes chemicals, equipment maintenance, pump and system repair, sampling and testing, and fees to Kent County.

The City Manager stated that the Kent Count charge of two dollars and thirty-four cents (\$2.34) will not cover the cost of the bill from the County because of inflow and infiltration (I & I).

Mr. DiMondi asked what is included in the base charge. The City Manager replied reserves, contingency, and debt service.

Vice Mayor Lahman asked what the I & I costs are per year. The City Manager stated that it varies, but it runs between one hundred thirty thousand dollars (\$130,000) and one hundred eighty thousand dollars (\$180,000). Mr. DiMondi asked where the I & I is charged to. The City Manager stated that it will probably be paid for from reserves. It would be good to fix it, but a referendum would have to be passed.

Mr. DiMondi asked about the current amount in reserves. The City Manager stated that there is approximately three million dollars (\$3,000,000) in reserves from all funds. An audience member asked how much the cost of the I & I project is. The City Manager replied approximately two million dollars (\$2,000,000), but the reserves are not all for the sewer system; some are earmarked for other funds.

Mr. DiMondi asked how any capital improvement money from services being tapped into the force main have been accounted for. The City Manager stated that it is not included, because impact fees have no bearing on usage charges. Impact fees can only be used for certain things.

Mr. DiMondi asked why the financial data available is old. The City Manager replied that staff turnover has been an issue, and two audits should be completed at one time in order to catch up. Audited statements are not necessary in order to project revenue for a rate study.

Mr. DiMondi asked how many gallons per day on average are being flowed to the County and how much is from the Fair. The City Manager replied approximately five hundred thousand gallons overall and approximately forty thousand gallons from the Fair.

Mr. DiMondi asked how many EDUs are used in the whole sewer system to calculate the rate. The City Manager replied two thousand one hundred six.

Mr. DiMondi asked how the usage rate was calculated. The City Manager replied that all expenses need to run the system that were not included in the base rate were divided by the total number of T(thousand)gallons used in the system per year.

An audience member asked where the City is responsible to on the force main. The City Manager replied all of the force main.

Ms. Holloway stated that she previously did a rate study on the City's water system and stated that this study was done well.

Council Member Porter stated that he would like to hear input from other business owners besides the Delaware State Fair. An audience member stated that he was just attending to get information and may have questions later. The City Manager stated that she can be contacted with any additional questions.

An audience member asked why her church is receiving a bill for two hundred thirty-six dollars for utilities. The City Clerk stated that churches are billed as businesses and since that church uses less than twenty thousand gallons, a bill based on usage will benefit them. Council Member Porter stated that the USDA mandates that churches be billed.

The City Manager stated that the American Waterworks Association standards were used to develop the rates. It is important to be fair and adequate. It would be irresponsible not to plan for sustainability; I & I must be fixed and line maintained.

Vice Mayor Lahman asked how long usage data has been collected. The City Manager stated over a year. There were six different types of meters being used, and all new meters were installed. People have been notified of potential leaks.

An audience member stated that it is important for the rate to support economic development and asked if the Code includes a reduction in impact fees for jobs

being created. Mayor Moyer stated that the City does not have a program like that. The City Manager stated that some municipalities do that, but the impact fees need to be offset to do that. Ms. Holloway stated that the USDA restricts the usage rates. The City Manager stated that the impact fee study indicates an overall reduction in impact rates.

Vice Mayor Lahman stated that the rate will be reviewed again in six months and annually. Ms. Holloway stated that it is difficult to go from a flat rate to a usage rate, because there is not a history of usage.

An audience member asked if customers are notified of a leak. The City Clerk stated that readings are done monthly, and customers are notified if a leak is indicated.

There being no further business, the meeting adjourned.

Respectfully Submitted,

Kelly Blanchies  
Clerk of Council

# Rate Study

## Businesses

# 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 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 \$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
  - ~~Transfer to General Fund~~
  - Water Debt Service
  - These costs need to be paid even if no water is sold.
  - Customers will be billed for the number of EDUs they required during the calendar year prior to Harrington's fiscal year.
- ▶ 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.
- ▶ Note: EDU = 250 gallons per day or 91,250 gallons per year.

# 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 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)

# 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

# Example Base Bill Calculation

- Business uses 155,388 gallons during period of 1/13 – 12/13.
- $155,388 \text{ gallons} / 91,250$  (250gallons per day X 365)
- Equals 1.70
- Billable units rounded to the nearest whole number equals 2
- Base Bill Charge
  - Water =  $2 \times \$35 = \$70$
  - Sewer =  $2 \times \$80 = \$160$

# Example Base Bill Calculation

- Business uses 117,534 gallons during period of 1/13 – 12/13.
- $117,534 \text{ gallons} / 91,250$  (250gallons per day X 365)
- Equals 1.29
- Billable units rounded to the nearest whole number equals 1
- Base Bill Charge
  - Water =  $1 \times \$35 = \$35$
  - Sewer =  $1 \times \$80 = \$80$

# Quarterly Base Bill Calculation

EDUs	Quarterly Base Bill Charge
20	\$700
19	\$665
18	\$630
17	\$595
16	\$560
15	\$525
14	\$490
13	\$455
12	\$420
11	\$385
10	\$350
9	\$315
8	\$280
7	\$245
6	\$210
5	\$175
4	\$140
3	\$105
2	\$70
1	\$35

Water

EDUs	Quarterly Base Bill Charge
20	\$1,600
19	\$1,520
18	\$1,440
17	\$1,360
16	\$1,280
15	\$1,200
14	\$1,120
13	\$1,040
12	\$960
11	\$880
10	\$800
9	\$720
8	\$640
7	\$560
6	\$480
5	\$400
4	\$320
3	\$240
2	\$160
1	\$80

Sewer

# Usage Charge

- ▶ Based on actual usage during the quarter
- ▶ Equals \$5.76 per 1000 gallons
  
- ▶ Example:
- ▶ 12,200 consumption
  - Water  $12,200/1000 \times \$3.25 = \$39.65$
  - Sewer  $12,200/1000 \times \$5.76 = \$70.28$

# Kent County Sewer Treatment Charge

- ▶ Equals \$2.34 per 1000 gallons.
- ▶ Kent County Charge to Harrington for treating sewer.
  
- ▶ Example
- ▶ 12,200 consumption
  - Sewer  $12,200/1000 \times \$2.34 = \$28.55$

# 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



# 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

	<b>Tax Rate</b>	<b>Current \$.71/\$100</b>	<b>Proposed \$.94/\$100</b>		
		<b>0.0071</b>	<b>0.0094</b>		
	<b>Assessed Value</b>	<b>Current Bill</b>	<b>Proposed Bill</b>	<b>Annual Increase</b>	<b>Qtrly Increase</b>
	\$ 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
<b>Average</b>	<b>\$ 38,700</b>	<b>\$ 274.77</b>	<b>\$ 363.78</b>	<b>\$ 89.01</b>	<b>\$ 22.25</b>
	\$ 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.

# Questions?

# Contact Information

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