

City of Harrington
MINUTES
City Council Workshop
February 25, 2014

A workshop with the Harrington City Council was held at Harrington City Hall, 106 Dorman Street, on February 25, 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; Teresa Tieman, City Manager; and Kelly Blanchies, Clerk of Council.

Also present: Rebecca Greene and Marie Cunningham.

Public Comments

There were no comments.

Mayor Moyer called the meeting to order at 6:30 p.m.

The Pledge of Allegiance was given.

Water and sewer rate study

The City Manager stated that she wants to reiterate that Harrington's goal is to set and maintain utility rates that are fair and adequate to sustain our system. Water and sewer rates were last changed in June 2010; there have been significant changes to operations and capital, including implementation of the Kent County contract, an increase in debt service, the establishment of reserve and contingency funds, the better allocation of general fund support to water and sewer, the re-evaluation of transfer to general fund, and the installation of water meters with a desire for usage based billing.

The City Manager stated that costs not open for debate are debt service and Kent County fees. Sewer debt service has increased by two hundred seventy-one thousand dollars (\$271,000) due to the construction of the force main. The contract with Kent County for sewage treatment has increased costs annually by one hundred thirty-four thousand dollars (\$134,000).

Mayor Moyer asked what the budget for sewer treatment was when the City was still treating sewer. The City Manager stated that it is difficult to determine since general fund costs were not being allocated to water and sewer at that time.

Mayor Moyer asked why the cost for Kent County to treat sewer is so much higher than the City's cost. The City Manager stated that the City still must

maintain the pump stations and infrastructure. Council Member Stubbs stated that the City now has to pay to treat inflow and infiltration (I & I).

The City Manager stated that the components of the water and sewer bills would be a capacity charge to cover the cost of reserves, contingency, and water debt service and a usage rate. The sewer bill would also contain a charge to cover the cost of treatment at Kent County.

The City Manager stated that the proposed water rate is thirty-five dollar (\$35) capacity charge and a usage charge of three dollars and twenty-five cents (\$3.25) per one thousand gallons. The current water bill is a minimum charge of ninety-six dollars and seventeen cents (\$96.17) and commercial usage greater than twenty thousand gallons is at a rate of four dollars and eight zero eight five cents (\$4.8085).

The City Manager stated that the proposed sewer rate is a capacity charge of eighty dollars (\$80) and a usage charge of nine dollars and seventeen cents (\$9.17), which includes the Kent County sewer treatment charge of two dollars and thirty-four (\$2.34). The current sewer bill is a minimum charge of one hundred forty dollars (\$140) and commercial usage greater than twenty thousand gallons is at a rate of six dollars and eight cents (\$6.08).

The City Manager stated that the typical residential water bill at fifteen thousand gallons of usage would be eighty-three dollars and seventy-five cents (\$83.75) quarterly as opposed to the current bill of ninety-six dollars and seventeen cents (\$96.17).

Council Member Bivans asked about using fifteen thousand gallons as a basis when the current allowance is twenty thousand gallons. The City Manager stated that fifteen thousand gallons is the average consumption; with the current flat rate, it doesn't matter what the residential customer uses, because they are always billed the flat rate. Usage based rates are more fair.

The City Manager stated that the typical residential sewer bill at fifteen thousand gallons of usage would be two hundred seventeen dollars and fifty-five cents (\$217.55) quarterly as opposed to the current bill of one hundred forty dollars (\$140).

Vice Mayor Lahman asked about reducing the initial amount of reserves and contingencies in order to lower the bill. Mayor Moyer stated that the full amount of reserves and contingencies do not have to be reached in the first year.

Council Member Porter stated that up until the recession, the City had building occurring and impact fees coming in. The City Manager stated that at that point, the sewer treatment plant was almost at capacity. The City had presold

equivalent dwelling units (EDUs) to the Delaware State Fair and was looking for ways to increase capacity.

Mayor Moyer asked how the usage rate is determined. The City Manager stated that after the minimum charge is billed for each customer, there is an amount for operating expenses that must be met.

The City Manager stated that changing the amount of reserves and contingency would change the capacity charge.

Council Member Minner asked about customers reducing their consumption when they start receiving usage based bills. The City Manager stated that the usage rate would then have to go up to cover costs.

Mayor Moyer asked about reducing the usage rate. The City Manager stated that the usage rate covers the operating costs. If part of the operating expenses is collected in the capacity charge, then the usage rate can be lowered.

Vice Mayor Lahman stated that the City should save but does not need to immediately save the full amount in order to lessen the initial shock of the new usage bills.

Discussion occurred regarding using a lower usage rate.

Mayor Moyer stated that he would rather see the capacity charge stay up because that makes the income more stable and lowers the usage charge. The City Manager stated that the charges can be structured how Council would like as long as the money needed to operate the system is received.

Council Member Porter stated that brown water is still a concern. The City Manager stated that the velocity of the water when there is high demand causes the rust to stir in the lines. There are ways to fix it, but it is expensive.

Council Member Porter stated that he does not like a rate hike, but it needs to be done.

Discussion occurred regarding the projected tax increase with the removal of the transfer to the general fund from the water and sewer funds. The City Manager stated that it is a proposed increase of twenty-three cents (\$.23). With the average assessed value of residential property in Harrington at thirty-eight thousand seven hundred dollar (\$38,700), the average tax bill will increase by eighty-nine dollars (\$89).

Vice Mayor Lahman asked if the tax rate increase number is firm. The City Manager replied that is the amount needed to cover the transfer from the utilities

that will no longer occur. To continue at the same level in the general fund, taxes must be raised or expenses cut. There is not a lot of room to cut from the budget.

The City Manager stated that meetings should be held with the different customer groups to discuss the proposed rates.

Mayor Moyer asked about billing out of town customers. The City Manager stated that Farmington has one meter for the whole area, so each customer will receive a base rate, and the total usage for the area will be divided equally amongst the customers. The rate is one point three three of what in town residents pay.

Public Comments

There were no comments.

There being no further business, the City Council Workshop adjourned at 8:00 p.m.

Respectfully Submitted,

Kelly Blanchies
Clerk of Council