

City of Harrington
MINUTES
Proposed Water and Sewer Rate Public Meeting
April 3, 2014

A meeting with the Harrington City Council was held at Harrington City Hall, 106 Dorman Street, on April 3, 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: Gary Harrington; Phyllis Masten; David Masten; JoAnn D. Hall; Buck Cahall; Rebecca Greene; Amy Lupinetti; Robert Nemeth; Nancy Emory; Richard L. Pitlick; Raymond A. Blanchette; Pat Maher; Richard Lindale; Walt Perdue; Crystal Riley; Shelly Lefort; Dustan Russum; Tom Shugans; Donna Shugans; Janice Uernon; John Condron; Eric Marquis; D.J. Cox; Tom Stuart; Jeannette W. Fisher; Kathy Rogers; Karen Lazar; Tina Y. Smith; Craig Vandemark; Carlton Goodhad; Louise Apt; Mardella White; Melinda Cottman; Margie M. Conquest; Pat Smith; Margaret Ayers; Dwayne DeShields; Dan Tartt; and Jean Holloway, Delaware Rural Water Association.

Vice Mayor Cheryl Lahman was absent.

Proposed Water and Sewer Rates

The City Manager stated that the rates being presented have not been voted on by the City Council yet.

The City Manager presented the attached slideshow.

Eric Marquis stated that the State has adopted NITS water regulations and asked about calibrating and certifying water meters. Mr. Marquis stated that his neighbor with a smaller family is using more water than his family. The City Manager stated that the meters are new and meet 2014 lead standards and stated that the neighbor should have gotten a letter about a possible leak. Mr. Marquis neighbor replied that he did receive a letter and did not contact City Hall but checked for a leak himself. The City Manager stated that there could be another issue and encouraged the resident to contact City Hall.

Mr. Marquis asked how residents can be sure the water meter is accurate. The City Manager stated that over time water meters can run slow but that is to the advantage of the customer. Water meters can be tested at a cost. Jean Holloway stated that the testing bench is certified by the manufacturer as being accurate within the tolerance. It is rare for a residential, positive displacement meter to

over-register. The City of Milford has their testing bench calibrated and certified by the State every year.

An audience member asked about being charged for sewer usage for water that is used on the lawn. Mayor Moyer stated that a resident can have an agricultural meter installed at their cost and that water would not be charged to sewer.

An audience member asked if usage will be rounded up or down. The City Manager stated that it will be billed on the actual usage and not estimated.

An audience member asked if an irrigation meter can be placed under the house. The City Manager stated that it cannot and that the location would have to be determined by the Public Works staff. Mayor Moyer stated that the irrigation meter has to be on the line before the house meter. The City Manager stated that the City needs access to the meter.

The City Manager stated that usage has been printed on utility bills so that residents can see how much they are using and could fix leaks and take conservation measures. The first usage based bill, based on July, August, and September, will be in October.

An audience member asked about adjusting bills for flushing brown water from the lines. The City Manager stated that meter will have to be read before and after the line is flushed. Brown water is not an issue that will be quickly resolved; it needs to be studied. It has been a long term problem and is expensive to correct.

The City Manager stated that for Messick's and Farmington that do not have city water but do have a metered sewer pump station, the usage from that pump station will be divided among all the users being served by that pump station. For sewer users that do not have City water and are not served by a metered pump station, they will be billed a fee based on the average usage for all residential customers.

An audience member asked what the trash rate will be approximately. The City Manager replied fifty dollars (\$50).

An audience member asked if the rates will continue to increase. The City Manager stated that the rates will have to be adjusted as costs increase.

An audience member asked why the rates are increasing even though more users have been added to the system. Mayor Moyer stated that connecting to Kent County for sewer treatment is costing the City more money. Council Member Stubbs stated that if the force main was not built then the City would have had to increase its capacity to treat sewer, which would have also cost money.

Mayor Moyer stated that billing based on metered usage will be more fair. Smaller households were paying for twenty thousand gallons of water with the flat fee but were not using that much water. Consumers can save money by controlling their usage.

Ms. Holloway stated that the hardest rate to set is going from a flat rate to a meter usage rate. It is necessary to have six months to a year's worth of usage data. The rate was set fairly, and the City has gone out of the way to have a series of public meetings.

Mayor Moyer stated that more information will be provided on utility bills, and anyone can call with questions.

Ms. Holloway stated that the cost of a thousand gallons of bottled water is eight thousand dollars (\$8,000) versus the three dollars and twenty-five cents (\$3.25) that the City charges; it is also less regulated and tested for less contaminants.

An audience member asked about ground water infiltration. Council Member Porter stated that the City tried to pass a referendum to fix lines, but it failed. The City Manager stated that the City is working with the USDA to try to finance repairs and refinance some old debt to try to minimize the impact to rates.

Dan Tarrt asked about recovering costs from vacant properties. The City Manager stated that past due charges can be added to tax bills and can be collected. Currently, vacant properties pay a half charge and with the new rates will pay the base bill amount.

Mr. Tarrt asked if there is an agreement with Farmington about what can be done with rates. The City Manager stated that Farmington customers are billed at one point three three percent of the in city rate.

Mr. Tarrt asked if the out of city customers would be bearing any of the cost of the tax increase. The City Manager replied that only in City properties can be taxed and are the ones receiving the benefits such as police protections, streets, and City Hall services. All funds should pay for themselves.

An audience member stated that Friendship Village has the tax burden without receiving services. The City Manager stated that is a special situation, because the development is still privately owned, and the City cannot maintain the unfinished streets. Friendship Village receives services such as police protection and code enforcement but not street maintenance.

Mr. Marquis asked about metering sewer usage. The City Manager stated that the sewer bill is based on water usage. There is not a cost benefit into putting sewer meters in; the City can bill on actual sewer usage if the customer wants to

install a sewer meter, but they are very expensive. Mr. Marquis states that it does not make sense for the customer to pay for the meter. Mayor Moyer stated that there is no city in Delaware that provides a sewer meter; they are too expensive.

The City Manager stated that the rates will have to be examined again in six months and a year then annually after that. It is the City's responsibility to make sure the system is sustainable. Reserves will be saved to make future repairs.

An audience member asked how the sewer rate is calculated and how that compares to other municipalities. The City Manager stated that the rate is high compared to other municipalities and comparable to the private sector. The base charge is the amount of debt service and contingencies and reserves divided by the number of equivalent dwelling units (EDUs) in the system. The usage charge is based on the operating costs, such as chemicals and salaries.

Mr. Tartt asked if utility bills will be mailed to tenants or property owners. The City Manager stated that bills will always go to the property owner, because utilities are liens against the property.

The City Clerk stated that customers with high usage have been contacted. The City is helping people determine if there is a leak or what the problem may be.

Council Member Porter asked the audience for input on the rates and stated that the City Council has worked to reduce the rates as much as possible and is open to suggestions.

An audience member asked what the benefits of sending less sewer to the County are. The City Manager stated that less water will have to be produced, meaning new wells and towers can be deferred. On the sewer side, there will be more capacity available for new development. If the costs decrease then the rates will be lowered. Mayor Moyer stated that when inflow and infiltration is fixed, it will lower the City's costs. The possible USDA refinance would allow money to fix problems without increasing the debt service.

Discussion occurred regarding the placement of lawn/irrigation meters.

There being no further business, the meeting adjourned.

Respectfully Submitted,

Kelly Blanchies
Clerk of Council

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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