

Commission Agenda Item

MEETING DATE: September 9, 2013

SUBJECT: First Reading Of Ordinance 13-13, An Ordinance of the City of Alachua, Florida; Amending Section 38-102(A)(1) Increasing the Monthly Customer Charge for Each Metered Point of Connection to the City Water System and Section 38-102(A)(3) Increasing the Water Consumption Charge(s) for Residential, Including Residential Irrigation, and Nonresidential (Commercial, Industrial, Fire Line and Irrigation) Service; Providing for the Repeal of All Ordinances in Conflict; Providing for Severability; Providing for Inclusion in the City Code; and Providing an Effective Date.

AGENDA SECTION: Public Hearings and Ordinances

DEPARTMENT: Public Services

PREPARED BY: Mike New, PE, Public Services Director

RECOMMENDED ACTION: Pass Ordinance 13-13 on First Reading

Summary

The City of Alachua establishes water rates to generate revenue sufficient to meet its operating expenses. The City of Alachua's water rates were last modified in 2012. Staff evaluates water rates annually during the budget process and, if warranted, recommends that rates be adjusted.

Staff maintains a computer model for developing its water rates. The model forecasts customers, water consumption, and anticipated expenses to determine whether water rates will produce revenues which are sufficient to meet the expenses associated with providing water service to our residents. Over the past five years, there has been a significant (26%) decrease in annual water sales. Staff believes this can be attributed to the economic climate, efforts to heighten customer awareness of the need to conserve water as a resource, the conservation rate structure the City adopted in 2010, and, at least in 2012 and 2013, an increase in rainfall during the irrigation season. Some of the City's costs for providing water service have decreased as a result of decreasing sales. However, many of the City's cost to provide water service are fixed (ie debt service), or have increased (ie staffing, fuel, repair, etc). As a result, staff proposes an increase in its water rates.

Each March, the Florida Public Services Commission (FPSC) publishes a Water and Wastewater Price Index (attached). The price index establishes a price increase or decrease for major categories of water and wastewater operating expenses. The intent of the price index is to identify the necessary adjustment that utility service providers should make to their rates to stay abreast of inflationary or deflationary pressures. For 2013, the FPSC approved a water and wastewater price index of 1.63%.

The proposed, amended water rates, which are identified in the attached ordinance, provide for changes to the customer charge and the consumption charge components of the water rates:

	<u>Current</u>	<u>Proposed</u>
Customer charge:	\$7.10 per month	\$7.20 per month
Water availability charge:	No change proposed	
Consumption charge:		
Tier 1 (0-4,000 gallons)	\$1.68 per k-gal	\$1.71 per k-gal
Tier 2 (4,001 – 8,000 gallons)	\$2.18 per k-gal	\$2.22 per k-gal
Tier 3 (8,011 and more gallons)	\$3.27 per k-gal	\$3.33 per k-gal

The proposed rates were derived by applying the FPSC water and wastewater price index to our water rate model to increase revenues by the price index. The proposed water rates result in a \$0.30 per month increase in monthly water charges for the average residential customer using 6,000 gallons per month.

An important part of rate making is ensuring that the City's utility rates are competitive with those of our peer groups. The State of Florida is served by hundreds of water service providers making establishment of an appropriate peer group challenging. Staff has selected the water service providers in our area as its best peer group. A comparison of water rates for the City's peer group is attached.

On July 29, 2013 staff presented the proposed water rate increases to the City Commission in a public workshop. The proposed FY 13-14 Water System Budget reflects the projected revenues associated with the proposed rate increases.

Additional background information related to the City of Alachua's water rates and charges is discussed below:

Water systems provide water to three classes of customers – residential, non-residential, and irrigation.

Water system charges are divided into two components – a **customer charge** and a **consumption charge**. The **customer charge** is flat monthly charge for each metered account. Revenues from the customer charge are used to meet operating expenses related to administration, engineering, meter reading, and utility billing. The **consumption charge** is measured in terms of \$ per 1,000 gallons of water consumed. Revenues from this charge are used to meet other water system expenses.

For residential customers, the consumption charge is broken into three (3) tiers which have different charge rates associated with them. Tier 1 is water consumption ranging from 0 – 4,000 gallons per month. It is considered to be the volume of water necessary to meet basic human health needs and it is charged at the lowest rate. Tier 2 is water consumption ranging from 4,001 to 8,000 gallons per month. It is charged at a rate higher than Tier 1 water consumption. Tier 3 is for water consumption in excess of 8,000 gallons per month. Tier 3 water is considered to be discretionary water use and is charged at the highest rate. Water rates that are established so that the charge for consumption increases with consumption are known as "conservation rates". Conservation rates are strongly encouraged in Florida by State water management districts to conserve water. They have become the norm in Florida over the past decade.

Because of the variety in types and consumption requirements of non-residential customers, the City does not utilize conservation rate for that class. The consumption rate for non-residential customers is the Tier 2 rate for residential customers. Similarly, the consumption rate for irrigation charges is the Tier 3 rate for residential customers.

ATTACHMENTS: 1) Ordinance 13-13; 2) Florida Public Service Commission Water and Wastewater Price Index; 3) Peer Group Water Rate Comparison; 4) Advertisement for First Reading of Ordinance 13-13.

REVIEWED BY CITY MANAGER:



ORDINANCE 13-13

AN ORDINANCE OF THE CITY OF ALACHUA, FLORIDA; AMENDING SECTION 38-102(A)(1) INCREASING THE MONTHLY CUSTOMER CHARGE FOR EACH METERED POINT OF CONNECTION TO THE CITY WATER SYSTEM AND SECTION 38-102(A)(3) INCREASING THE WATER CONSUMPTION CHARGE(S) FOR RESIDENTIAL, INCLUDING RESIDENTIAL IRRIGATION, AND NONRESIDENTIAL (COMMERCIAL, INDUSTRIAL, FIRE LINE AND IRRIGATION) SERVICE; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT; PROVIDING FOR SEVERABILITY; PROVIDING FOR INCLUSION IN THE CITY CODE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Alachua provides water services to residential and non-residential customers located within its water service territory; and

WHEREAS, the current residential customer and nonresidential charges for wastewater service are not adequate to cover the cost of providing such services, and

WHEREAS, the City Commission, being fully advised of the facts and circumstances, hereby finds it necessary and in the interest of prudent management of public assets and business affairs to increase the current residential customer and nonresidential charges for wastewater services in order to equitably and adequately fund the cost of such essential services.

WHEREAS, the City of Alachua Commission hereby amends Section 38-102 of the City of Alachua Code of Ordinances.

NOW, THEREFORE, BE IT ORDAINED BY THE PEOPLE OF THE CITY OF ALACHUA, FLORIDA.

SECTION 1. AMENDMENT OF CODE OF ORDINANCES

The following section of Chapter 38 of the City of Alachua Code of Ordinances is hereby amended to read as follows:

Section 38-102 – Rates for Consumption of Water is hereby amended as set forth below.

- (a) Rates. The rates to be assessed and collected from consumers of water furnished by the City are hereby fixed as follows:

Water System Consumption Charges.

- (1) Customer charge. Each customer must pay a customer charge for each metered point of connection to the City's water system.

Customer charge	\$7.10 <u>\$7.20</u> per month
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- (3) Water consumption charge(s). Each customer must pay for water consumed through each connection point based upon water service type:

Residential Service	
Tier 1 (0—4,000 gallons)	\$1.68 <u>\$1.71</u> per 1,000 gallons
Tier 2 (4,001—8,000 gallons)	\$2.18 <u>\$2.22</u> per 1,000 gallons
Tier 3 (8,001 gallons and above)	\$3.27 <u>\$3.33</u> per 1,000 gallons
Nonresidential (Commercial, Industrial, and Fire Line) Service	
Tier 1 (all consumption)	\$2.18 <u>\$2.22</u> per 1,000 gallons
Irrigation (Residential and Nonresidential) Service	
Tier 1 (all consumption)	\$3.27 <u>\$3.33</u> per 1,000 gallons

SECTION 2. REPEALING ALL ORDINANCES IN CONFLICT.

All other ordinances or parts of ordinances in conflict herewith, are to the extent of such conflict, hereby repealed.

SECTION 3. PROVIDING FOR SEVERABILITY.

It is the declared intent of the Alachua City Commission that, if any section, sentence, clause, phrase or provision of this ordinance is for any reason held or declared to be unconstitutional, void or inoperative by a court or agency of competent jurisdiction, such holding of invalidity or unconstitutionality shall not affect the remaining provisions of this ordinance and the remainder of this ordinance, after the exclusion of such part or parts, shall continue to be valid.

SECTION 4. INCLUSION IN THE CODE.

It is the intention of the City of Alachua Commission, and it is hereby provided that the provisions of this ordinance shall become and be made part of the City of Alachua Code of Ordinances; that the Code may be renumbered or relettered to accomplish this intention.

SECTION 5. PROVIDING AN EFFECTIVE DATE.

This ordinance shall be effective on October 14, 2013.

PASSED on first reading on the 9th day of September, 2013.

CITY COMMISSION OF THE
CITY OF ALACHUA, FLORIDA

Gib Coerper, Mayor

SEAL

ATTEST:

APPROVED AS TO FORM

Traci L. Cain, City Manager/Clerk

Marian B. Rush, City Attorney

STATE OF FLORIDA

COMMISSIONERS:
RONALD A. BRISÉ, CHAIRMAN
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN



MARSHALL WILLIS, DIRECTOR
DIVISION OF ACCOUNTING AND FINANCE
(850) 413-6900

Public Service Commission

March 11, 2013

RECEIVED-FPSCC
13 MAR 11 AM 9:53
COMMISSION CLERK

All Florida Public Service Commission
Regulated Water & Wastewater Utilities

Re: Docket No. 130005-WS - 2013 Price Index

Dear Utility Owner:

Since March 31, 1981, pursuant to the guidelines established by Section 367.081(4)(a), Florida Statutes (F.S.), and Rule 25-30.420, Florida Administrative Code (F.A.C.), the Commission has established a price index increase or decrease for major categories of operating costs. The intent of this rule is to insure that inflationary pressures are not detrimental to utility owners, and that any possible deflationary pressures are not adverse to rate payers. By keeping up with index and pass-through adjustments, utility operations can be maintained at a level sufficient to insure quality of service for the rate payers.

Pursuant to Rule 25-30.420(1)(a), F.A.C., all operation and maintenance expenses shall be indexed with the exception of:

- a) Pass-through items pursuant to Section 367.081(4)(b), F.S.;
- b) Any amortization of rate case expense; and
- c) Disallowances or adjustments made in an applicant's most recent rate proceeding.

Upon the filing of a request for an index and/or pass-through increase, staff will review the application and modify existing rates accordingly. If for no other reason than to keep up with escalating costs, utilities throughout Florida should file for this rate relief on an annual basis. Utilities may apply for a 2013 Price Index anytime between April 1, 2013, through March 31, 2014. The attached package will answer questions regarding what the index and pass-through rate adjustments are, how to apply for an adjustment, and what needs to be filed in order to meet the filing requirements. While this increase for any given year may be minor, (see chart below), the long-run effect of keeping current with rising costs can be substantial.

DOCUMENT NUMBER-DATE

01255 MAR 11 2

FPSC-COMMISSION CLERK

	ANNUAL		ANNUAL
	COMMISSION		COMMISSION
YEAR	APPROVED INDEX	YEAR	APPROVED INDEX
1988	2.89%	2001	2.50%
1989	4.35%	2002	2.33%
1990	4.12%	2003	1.31%
1991	4.12%	2004	1.60%
1992	3.63%	2005	2.17%
1993	3.33%	2006	2.74%
1994	2.56%	2007	3.09%
1995	1.95%	2008	2.39%
1996	2.49%	2009	2.55%
1997	2.13%	2010	0.56%
1998	2.10%	2011	1.18%
1999	1.21%	2012	2.41%
2000	1.36%	2013	1.63%

Please be aware that pursuant to Section 837.06, F.S., whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree.

Our staff is available at (850) 413-6900 should you need assistance with your filing. If you have any questions, please do not hesitate to call.

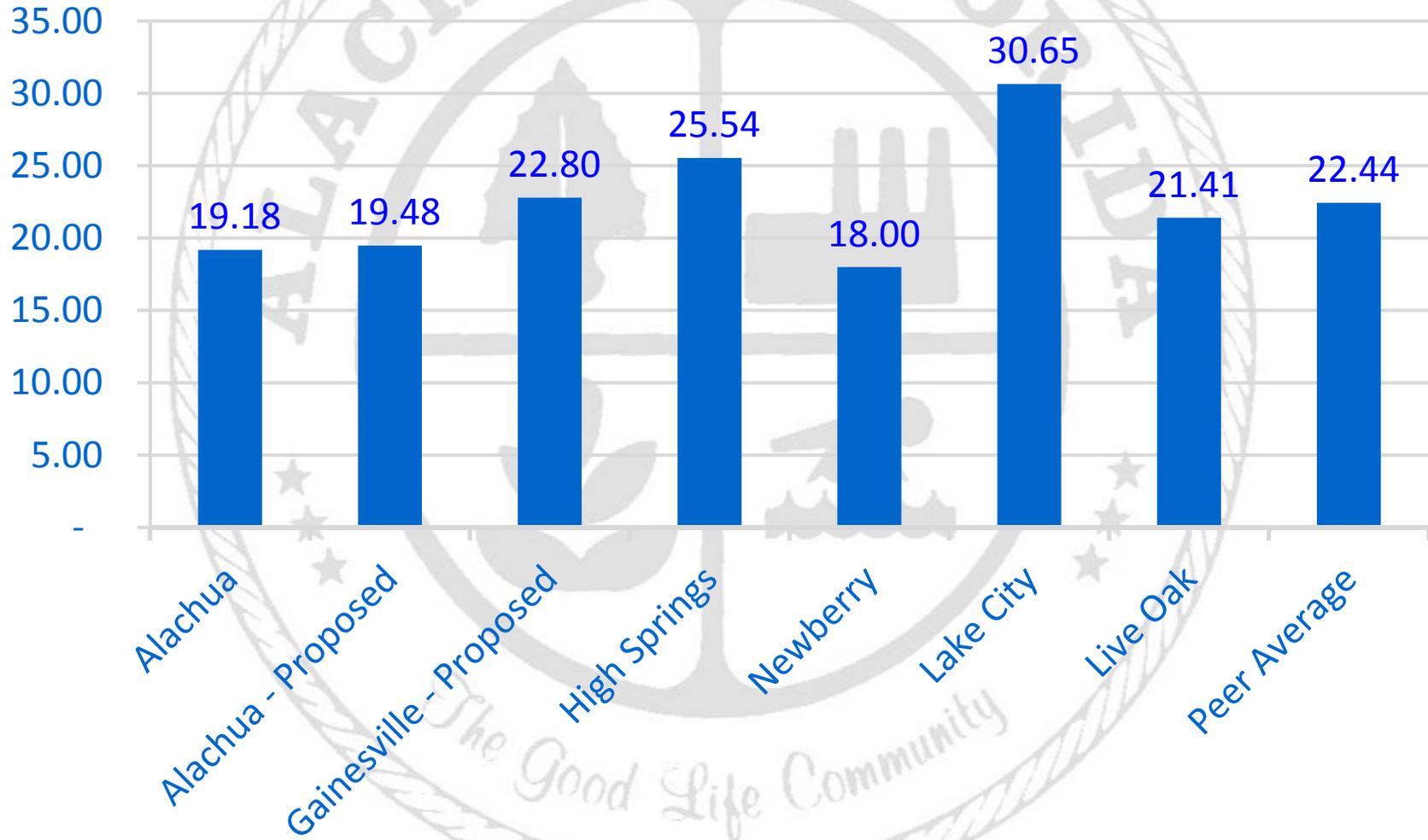
Sincerely,

Marshall Willis
Director

Enclosures

Peer Group Comparison

Monthly Residential Water Charge Comparison



NOTICE OF ENACTMENT

OF ORDINANCES OF THE CITY OF ALACHUA, FLORIDA

The City of Alachua City Commission will conduct a public hearing on a proposed ordinance on September 9, 2013, at 6:30 pm. The hearing will be held in the James A. Lewis Commission Chambers, located in City Hall at 15100 NW 142 Terrace, Alachua, Florida.

The ordinance title is as follows:

ORDINANCE NO. 13-13

AN ORDINANCE OF THE CITY OF ALACHUA, FLORIDA; AMENDING SECTION 38-102(A)(1) INCREASING THE MONTHLY CUSTOMER CHARGE FOR EACH METERED POINT OF CONNECTION TO THE CITY WATER SYSTEM AND SECTION 38-102(A)(3) INCREASING THE WATER CONSUMPTION CHARGE(S) FOR RESIDENTIAL, INCLUDING RESIDENTIAL IRRIGATION, AND NONRESIDENTIAL (COMMERCIAL, INDUSTRIAL, FIRE LINE AND IRRIGATION) SERVICE; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT; PROVIDING FOR SEVERABILITY; PROVIDING FOR INCLUSION IN THE CITY CODE; AND PROVIDING AN EFFECTIVE DATE.

At the public hearing, all interested parties may appear and be heard with respect to the proposed ordinance. Copies of the proposed ordinance are available for public inspection at the Alachua City Hall, Office of the City Clerk, 15100 NW 142 Terrace, Alachua, Florida, 32615 between the hours of 7:30 am to 6:00 pm on the Thursday or Monday prior to the City Commission meeting. **Written comments on the proposed ordinance may be sent to the following address: City of Alachua, Office of the City Clerk, PO Box 9, Alachua, Florida, 32616.** Notice is given pursuant to Section 286.0105, Florida Statutes, that in order to appeal any decision made at these public hearings, you will need to ensure that a verbatim record of the proceeding is made. In accordance with the Americans with Disabilities Act, any persons with a disability requiring reasonable accommodation in order to participate in this meeting should call the City Clerk at (386) 418-6100, extension 101 at least 48 hours prior to the public hearing.

(Published: Alachua County Today - Aug. 29, 2013)