Commission Agenda Item

MEETING DATE: September 23, 2013

SUBJECT: Second Reading Of Ordinance 13-14, An Ordinance of the City of Alachua, Florida to Amend Section 38-140(A)(2), Wastewater Usage Charges; to Increase Usage Charges for Residential Customers and Nonresidential (Commercial and Industrial) Customers; 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: Adopt Ordinance 13-14 on First Reading

Summary

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

Staff maintains a computer model for developing its wastewater rates. The model forecasts customers, wastewater generation (which is a function of water consumption), and anticipated expenses to determine whether wastewater rates will produce revenues which are sufficient to meet the expenses associated with providing wastewater service to our residents. Over the past five years, there has been a significant (~10%) decrease in annual wastewater 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, and a water conservation rate structure the City adopted in 2010. Some of the City's costs for providing wastewater service have decreased as a result of decreasing sales. However, many of the City's costs to provide wastewater service are fixed, or have increased (ie staffing, fuel, repair, etc). Debt service increased more than $400,000 annually as a result of bringing the upgraded wastewater treatment facility on line. As a result, staff proposes an increase in its wastewater 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 wastewater rates:

	Current		Proposed
Customer charge:		No change proposed	
Usage charge:			
Residential	$4.85 per k-gal		$5.08 per k-gal
Non-residential	$6.79 per k-gal		$7.04 per k-gal

Staff was not able to develop proposed wastewater rates by applying the FPSC water and wastewater price index to our wastewater rate model. The resulting revenues were not sufficient to meet our expected expenses.

Last year, staff reported that "*Staff projects that wastewater revenue increases will be necessary for the following three (3) fiscal years in order to yield revenues sufficient to meet expenses. Those revenues are expected to be derived from a combination of new customer connections and increased wastewater rates.*" Last year, our wastewater rate model projected that wastewater rate increases of 4.1% would be necessary for FY 2013 – 2014. The proposed wastewater rates reflect a 3.3% increase. The proposed wastewater rates result in a $1.38 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 wastewater service providers making establishment of an appropriate peer group challenging. Staff has selected the wastewater service providers in our area as its best peer group. A comparison of wastewater rates for the City's peer group is attached.

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

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

Wastewater systems provide wastewater service to two (2) classes of customers – residential, and non-residential.

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 **usage charge** is measured in terms of $ per 1,000 gallons of wastewater consumed. Revenues from this charge are used to meet other wastewater system expenses.

Ordinance 13-14 was approved on first reading on September 9, 2013 by a 5-0 vote.

ATTACHMENTS: 1) Ordinance 13-14; 2) Florida Public Service Commission Water and Wastewater Price Index; 3) Peer Group Wastewater Rate Comparison; 4) Advertisement for Second Reading of Ordinance 13-14.

REVIEWED BY CITY MANAGER:

ORDINANCE 13-14

AN ORDINANCE OF THE CITY OF ALACHUA, FLORIDA TO AMEND SECTION 38-140(a)(2), WASTEWATER USAGE CHARGES; TO INCREASE USAGE CHARGES FOR RESIDENTIAL CUSTOMERS AND NONRESIDENTIAL (COMMERCIAL AND INDUSTRIAL) CUSTOMERS; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT; PROVIDING FOR SEVERABILITY; PROVIDING FOR INCLUSION IN THE CITY CODE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of Alachua provides wastewater 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 38-140 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 38-140 – Wastewater Rates and Charges is hereby amended as set forth below.

(a) Rates. There is hereby established a schedule of monthly rates and charges for the use of or availability for the use of wastewater collection, treatment, and disposal service which in part is based on the amount of water used from the City's water system as measured by the customer's water meter. Wastewater service charges shall be billed to and be the responsibility of the customer responsible for paying the water bill at any specific location. These rates will apply to all locations within the corporate City limits.

(2) Wastewater usage charge(s). Each customer must pay for wastewater discharged into the City's wastewater collection system based upon customer class:

Residential customers	~~$4.85~~ $5.08 per 1,000 gallons
Nonresidential (commercial and industrial) customers	~~$6.79~~ $7.04 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.

PASSED and **DULY ADOPTED**, in regular session, with a quorum present and voting, by the City Commission, upon second and final reading this 23rd day of September, 2013.

CITY COMMISSION OF THE
CITY OF ALACHUA, FLORIDA

Gib Coerper, Mayor

SEAL

ATTEST:

Traci L. Cain, City Manager/Clerk

APPROVED AS TO FORM

Marian B. Rush, City Attorney

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

STATE OF FLORIDA

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

Public Service Commission

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

March 11, 2013

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 13
FPSC-COMMISSION CLERK

YEAR	ANNUAL COMMISSION APPROVED INDEX	YEAR	ANNUAL COMMISSION 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.

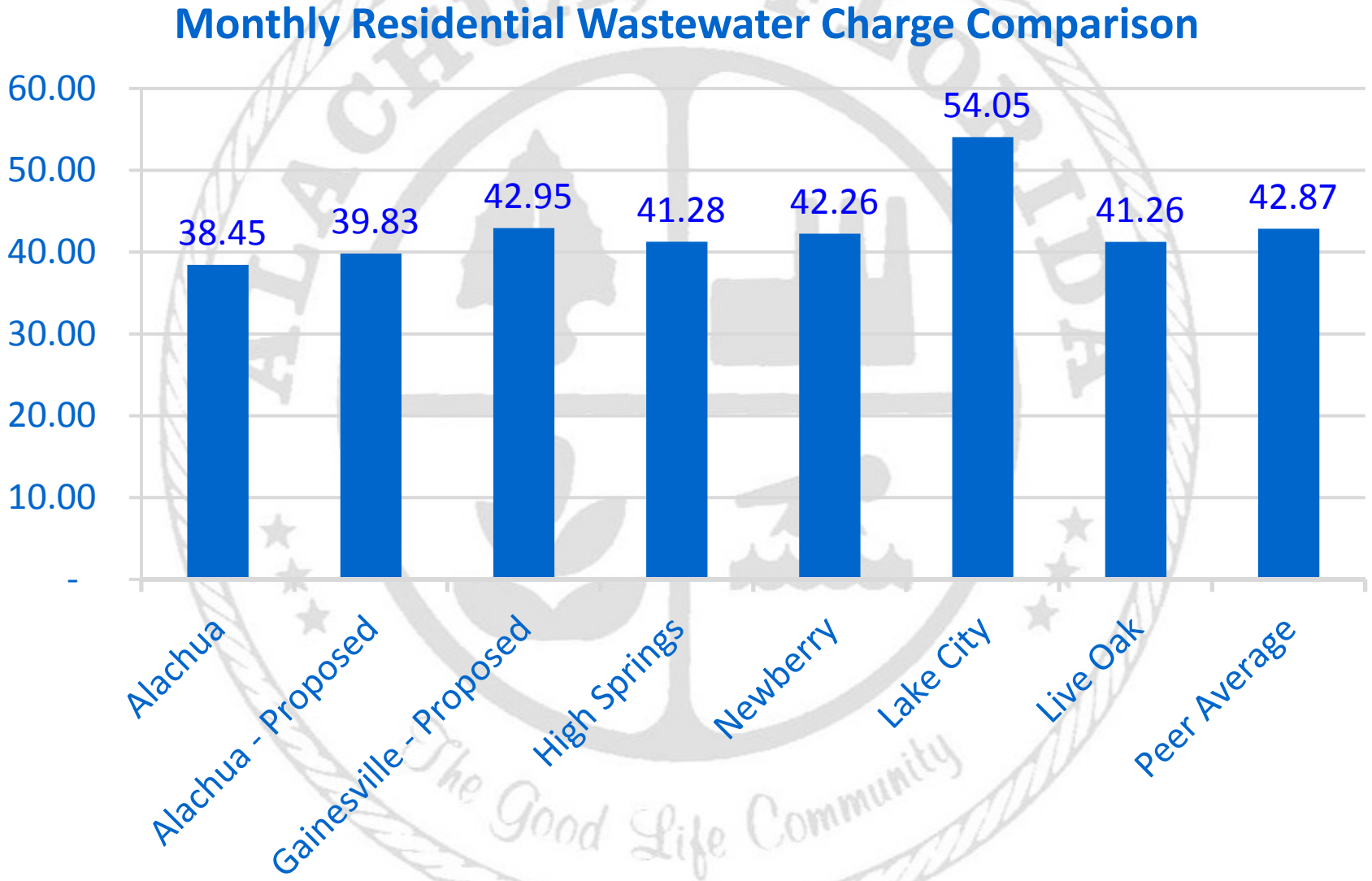
Sincerely,

Marshall Willis

Marshall Willis
Director

Enclosures

Peer Group 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 23, 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. 13-14

AN ORDINANCE OF THE CITY OF ALACHUA, FLORIDA TO AMEND SECTION 38-140(a)(2), WASTEWATER USAGE CHARGES; TO INCREASE USAGE CHARGES FOR RESIDENTIAL CUSTOMERS AND NONRESIDENTIAL (COMMERCIAL AND INDUSTRIAL) CUSTOMERS; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT; PROVIDING FOR SEVERABILITY; PROVIDING FOR INCLUSION IN THE CITY CODE; AND PROVIDING FOR 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.

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