

## Notice of water and sewer utility rate amendments

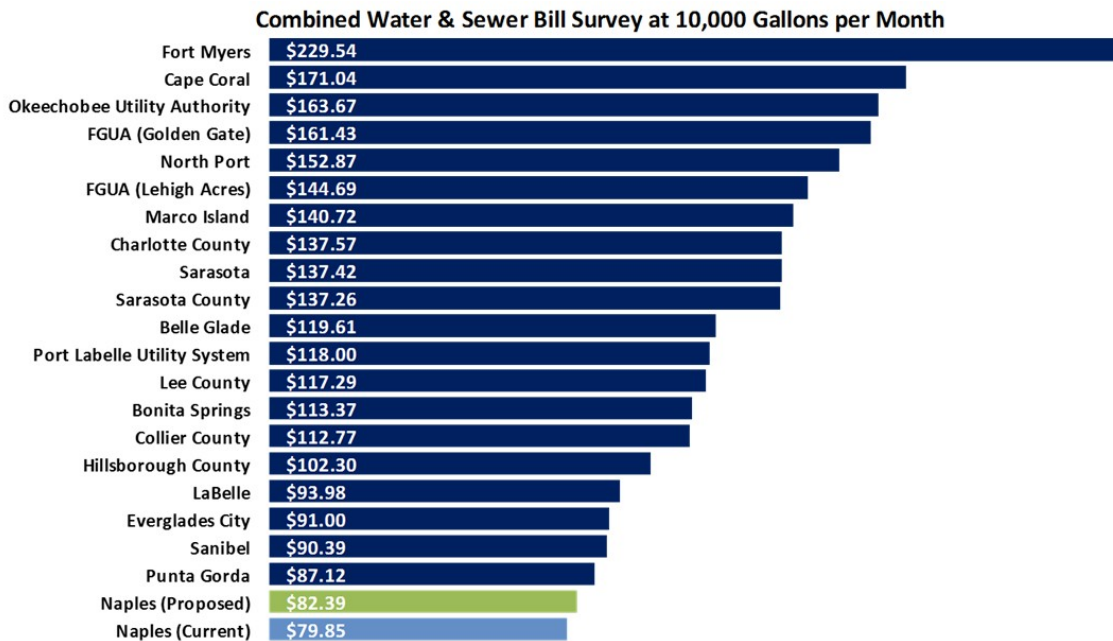
The Naples City Council will hold a public hearing on February 19, 2014 at 11:00 a.m., in the Council Chambers, 735 8<sup>th</sup> Street S., Naples, FL to consider amendments to the water and sewer rates.

The City of Naples commissioned a water and sewer rate study, which included a comparison of water and sewer rates in Southwest Florida.

### Comparative Rate Surveys

The study included a FY 2014 single-family residential rate survey that compares the monthly water and sewer cost for the City based upon its current and proposed rates to those of the other utility providers in the general area. The rate survey was performed to provide an understanding of the current market range of typical utility costs in the area and how the City fits within that range.

The following graph presents a comparison of the combined water and sewer monthly charges for a single-family residential customer with a 3/4" meter based upon 10,000 gallons of monthly water use. As can be seen, the City is currently and is expected to remain the lowest cost provider in the area for the vast majority of its residential users.



The purpose of the study also included:

**Rate Structure Analysis** – To develop recommended modifications, as appropriate, to ensure that the City's water and sewer rates conform to accepted industry practice and reflect a fair and equitable distribution of costs.

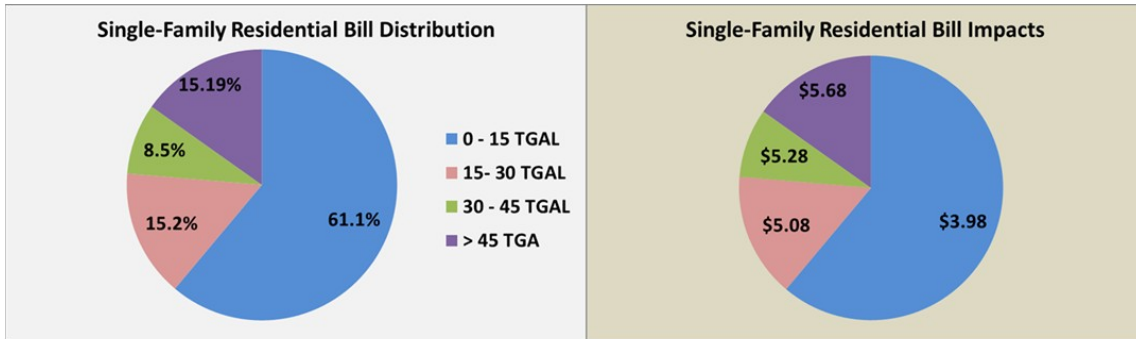
**Revenue Sufficiency Analysis** – Develop a multi-year financial management plan that ensures sufficient revenue to satisfy annual operating, debt service, and capital cost requirements as well as maintain adequate operating reserves. Also analyze the financial impact of expanding the reclaimed water system to various portions or zones of the Utility’s service area.

### **RATE STRUCTURE MODIFICATIONS**

The study examined the current monthly retail water and sewer rates and developed recommended rate structure modifications that should be considered to better conform to accepted industry rate making practice and provides a fair and equitable distribution of the cost of service. The specific rate structure recommendations identified for consideration in FY 2015 are as follows:

1. Bill multi-unit residential accounts per dwelling unit for monthly base charges (the water base charge is currently determined by the size of the water meter; sewer is per dwelling unit).
2. Establish monthly base charge per unit for multi-family residential accounts based upon ratio of population/usage per unit as compared to single-family households.
3. Determine the amount of water use in each block/tier of the inclining block rate structure for each residential account based upon the number of dwelling units.
4. Do not apply the first tier water usage rate of the inclining block rate structure intended for essential domestic use to separate irrigation meters.
5. Reset the non-residential monthly base charges by meter size based upon industry guidelines and accepted ratemaking practice.

The following graphs and corresponding table present the impact of the recommended FY 2015 rate structure to an individually metered or single-family residential customer of the recommended rate structure for FY 2015 that embodies the modifications identified herein. It is important to note that the rate structure for FY 2015 includes a 2.25% revenue increase associated with the City’s annual rate indexing adjustments that are based upon the annual change in the Consumer Price Index.



Tier	% of Bills	Typical Use	Current Bill	Proposed Bill	\$ Chg.	% Chg.
0 - 15 TGAL	61.1%	10 TGAL	\$ 103.54	\$ 107.52	\$ 3.98	3.8%
15- 30 TGAL	15.2%	20 TGAL	\$ 159.69	\$ 164.77	\$ 5.08	3.2%
30 - 45 TGAL	8.5%	40 TGAL	\$ 217.59	\$ 222.87	\$ 5.28	2.4%
> 45 TGA	15.2%	80 TGAL	\$ 377.39	\$ 383.07	\$ 5.68	1.5%

As can be seen, the typical increase to the bi-monthly bill of a single-family residential customer will be approximately \$4 to \$6, which is very comparable to the historical level of annual increases resulting from the City's annual rate indexing adjustments.

### REVENUE SUFFICIENCY ANALYSIS

In order to measure the adequacy of revenues over a multi-year projection period, the study utilized a proprietary FAMS-XL© model to project the performance of the Utility from FY 2014 - FY 2023. The study team discussed the base data and assumptions of the analysis, and reviewed several alternative scenarios for the Utility, including the expansion of the reclaimed water system. For each scenario, the study team measured the sufficiency of the revenues provided by the current rates in each year of the ten-year projection period versus the projected annual cost requirements of the Utility and identified the amount of any necessary annual rate revenue increases. Through this process, we 1) confirmed the adequacy of the revenue that will be generated by the City's current annual indexing adjustments to meet the cost requirements of the Utility without further reclaimed water expansion, and 2) evaluated a number of financial management plans for the Utility based upon combinations of reclaimed water system expansion into various areas or zones of the service area as defined by the City's consulting engineer.

As of this time, no decision has been made regarding the future expansion of the reclaimed water system and the recommended reclaimed water rates. Decisions regarding the reclaimed water system and the appropriate rate structure will be made within the next few months.

The study recommended that the City's water and sewer rate structure:

1. Better conform to industry practice & provide fair/equitable distribution of costs.
2. Bill multi-unit residential accounts per dwelling unit for monthly base charges. Water is currently based on meter size; Sewer is per dwelling unit.
3. Establish monthly base charge per unit for multi-family accounts based upon ratio of population/usage per unit as compared to single-family households.
4. Calculate the amount of water use in each block/tier for all residential accounts based upon the number of dwelling units.
5. Do not apply the affordability rate (first tier rate) to potable water irrigation sprinkler meters.
6. Reset the non-residential monthly base charges based upon industry practice.
7. No modifications for public policy (affordability or conservation).
8. Includes 2.25% revenue increase (historical avg. increase in CPI).

To implement the recommended changes, the Naples City Council will consider amending the water and sewer rate structure as provided in the following "Appendix A". Changes to existing rates are shown as ~~strike-out~~ and underline. The amendments, effective October 1, 2014, are summarized as follows:

- Monthly water usage rates for Block 1, 2, 3, and 4 will increase by \$0.01 per 1,000 gallons (one cent) for each of the four blocks.
- The monthly water base charge (fixed monthly charge) for single family residential, commercial and irrigation will decrease for each meter size. For a 5/8 inch meter, the monthly base charge will decrease from \$8.39 to \$7.91.
- For multi-family dwellings, the monthly water base charge (fixed monthly charge) will be based on the number of residential dwelling units instead of the size of the meter. The monthly base charge will be \$5.54 per dwelling unit, which is equal to 70% of the monthly base charge for a single family unit.
- The monthly sewer base charge (fixed monthly charge) for single family units will increase from \$17.88 to \$19.80.
- The monthly sewer base charge (fixed monthly charge) for multi-family units will decrease from \$17.88 to \$15.44 per dwelling unit. The base charge for multi-family units is 78% of the base charge for single family dwellings.
- The monthly sewer base charge for commercial with a 5/8" meter will increase from \$16.81 to the base charge applied to single family units--\$19.80.
- For single family, multi-family, and commercial customers with a separate potable

water (not reclaimed) irrigation meter, the monthly block rates will change from four blocks to three blocks. The first block will be eliminated. For a 5/8" irrigation water meter, Block 1 with a usage of 0 to 15,000 gallons, the usage rate will be \$2.40 per 1,000 gallons.

- The sewer usage charge for single family units, multi-family units, and commercial will increase from \$3.74 to \$3.84 per 1,000 gallons.

Adoption of the recommended structural changes, combined with further review and amendment of the reclaimed water rate, will advance attainment of important goals associated with the City's Integrated Water Resources Plan. These include:

1. Providing an adequate water supply for the next 20-30 years.
2. Expansion of the reclaimed water distribution system in designated areas over the next 10 years.
3. Use of surface water from the Golden Gate Canal to supplement the reclaimed water supply, thus preserving valuable potable water for house-hold purposes rather than landscape irrigation.
4. Development of additional Aquifer Storage and Recovery Wells to allow underground storage of reclaimed water during the rainy season and use of the stored water for irrigation during the extended dry season.
5. Elimination of the discharge of treated effluent water to the Naples Bay.
6. A financially sustainable water and sewer utility system over the next ten years without increases to the potable water and sewer rates (other than the annual Consumer Price Index).
7. Sufficient revenue to meet operating and capital expenses over the next 10 years without incurring debt.

## RESOLUTION 14-

**A RESOLUTION RELATING TO WATER AND SEWER SYSTEM RATES; AMENDING SECTION 30-373 OF APPENDIX "A", FEES AND CHARGES SCHEDULE OF THE CODE OF ORDINANCES OF THE CITY OF NAPLES, FOR THE PURPOSE OF AMENDING THE WATER AND SEWER RATES; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, Burton & Associates was commissioned to conduct a water and sewer rate study, including an analysis of the water and sewer system development charges (impact fees); and

**WHEREAS**, Burton & Associates prepared the "2013 Water and Sewer Rate Study", System Development Charge Analysis, dated December 9, 2013 and presented to City Council on December 16, 2013, that recommended amendments to the Water and Sewer System Development Charges (Impact Fees) to reflect the unit cost capacity of each respective system based upon the most current and local data available; and

**WHEREAS**, the Naples City Council desires to implement the water and sewer rates as recommended by Burton & Associates, effective October 1, 2014;

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NAPLES, FLORIDA:**

### **Section 1.**

That Section 30-1 through 30-9 of Appendix "A", Fees and Charges Schedule, is hereby amended to read as follows (with underlining indicating additions and ~~strikethrough~~ indicating deletions):

## **APPENDIX A FEES AND CHARGES SCHEDULE**

### **Chapter 30. Utilities**

§ 30-1. Manual of Standards and Specifications for utilities, purchase price .....25.00

§ 30-9. *Monthly rates, fees and charges.*

§ 30-9(a) Water Rates.

(1) Minimum monthly charge. For multi-family residences is \$ 5.54 per dwelling unit.

(2) All single-family residential, commercial, and irrigation meter customers will be charged the base rate according to their actual installed meter size.

Meter Size	Monthly Base Charge ( <del>all customer classes</del> ) <u>Single-Family Residential/Commercial/Irrigation</u>		Equivalency Factor
	<del>8.39</del>	<u>7.91</u>	
5/8"– <sup>3</sup> / <sub>4</sub> "	<del>8.39</del>	<u>7.91</u>	1.0
1.0"	<del>21.03</del>	<u>19.78</u>	2.5
1.5"	<del>42.04</del>	<u>39.55</u>	5.0
2.0"	<del>67.29</del>	<u>63.28</u>	8.0
3.0"	<del>134.59</del>	<u>126.56</u>	16.0
4.0"	<del>210.30</del>	<u>197.75</u>	25.0
6.0"	<del>420.60</del>	<u>395.50</u>	50.0
8.0"	<del>672.98</del>	<u>632.80</u>	80.0

All single-family residential, and commercial customers ~~classes~~ will be charged the ~~base~~ following consumption rates according to their actual installed meter size, while multi-family residences will be charged the following consumption rates based upon the number of dwelling units.

<del>All Customer Classes</del> Meter Sizes	Monthly Consumption Charge/1,000 gallons			
	Block 1	Block 2	Block 3	Block 4
5/8"– <sup>3</sup> / <sub>4</sub> "	0–7,500	7,501– 15,000	15,001– 22,500	Above 22,500
1.0"	0– 19,000	19,001 – 37,500	37,501 – 56,500	Above 56,500
1.5"	0– 37,500	37,501– 75,000	75,001– 112,500	Above 112,500
2.0"	0– 60,000	60,001– 120,000	120,001– 180,000	Above 180,000
3.0"	0– 120,000	120,001– 240,000	240,001– 360,000	Above 360,000
4.0"	0– 187,500	187,501– 375,000	375,001– 562,500	Above 562,500
6.0"	0– 375,000	375,001– 750,000	750,001– 1,125,000	Above 1,125,000
8.0"	0– 600,000	600,001– 1,200,000	1,200,001– 1,800,000	Above 1,800,000
<u>Per Dwelling Unit (For Multi-Family Residences)</u>	<u>0–7,500</u>	<u>7,501– 15,000</u>	<u>15,001– 22,500</u>	<u>Above 22,500</u>

Usage rates:

Block 1: \$1.367 per 1,000 gallons.

Block 2: \$2.3940 per 1,000 gallons.

Block 3: \$3.401 per 1,000 gallons.

Block 4: \$4.089 per 1,000 gallons.

Irrigation meters (other than reclaimed) are billed in the same way as a potable water meter with the base charges based upon meter size as listed herein, and are subject to the following consumption charges listed here.

Meter Sizes	Monthly Irrigation Consumption Charge/1,000 gallons		
	Block 1	Block 2	Block 3
5/8" – 3/4"	0 – 15,000	15,001–22,500	Above 22,500
1.0"	0 – 37,500	37,501 – 56,500	Above 56,500
1.5"	0 – 75,000	75,001–112,500	Above 112,500
2.0"	0 – 120,000	120,001–180,000	Above 180,000
3.0"	0 – 240,000	240,001–360,000	Above 360,000
4.0"	0 – 375,000	375,001–562,500	Above 562,500
6.0"	0 – 750,000	750,001–1,125,000	Above 1,125,000
8.0"	0 – 1,200,000	1,200,001–1,800,000	Above 1,800,000

Usage rates:

Block 1: \$2.40 per 1,000 gallons.

Block 2: \$3.41 per 1,000 gallons.

Block 3: \$4.09 per 1,000 gallons.

The bulk potable water rate is \$1.96/1,000 gallons. This rate will be adjusted annually as indicated under [section 30-9\(g\)](#), Annual Rate Adjustment by Index.

Customers outside the City limits are subject to a 25 percent surcharge.

[§ 30-9\(b\)](#) Sewer service rate schedule.

(1) Minimum monthly charge. Per single-family or multi-family residence is ~~\$ 17.88~~ \$19.80.

(2) Minimum monthly charge. For multi-family residences is \$15.44 per dwelling unit.

~~(23)~~ All commercial customers will be charged the base rate according to their actual installed meter size.



<del>Meter Size</del>	<del>Monthly Base Charge</del>	
	<del>Residential/Multi-Family</del>	<del>Commercial</del>
<del>5/8"–3/4" (1)</del>	<del>17.88</del>	<del>16.81</del>
<del>1.0"</del>	<del>17.88</del>	<del>26.83</del>
<del>1.5"</del>	<del>17.88</del>	<del>44.52</del>
<del>2.0"</del>	<del>17.88</del>	<del>89.44</del>
<del>3.0"</del>	<del>17.88</del>	<del>143.12</del>
<del>4.0"</del>	<del>17.88</del>	<del>286.25</del>
<del>6.0"</del>	<del>17.88</del>	<del>447.27</del>
<del>8.0"</del>	<del>17.88</del>	<del>894.53</del>
<del>Usage Charge (per 1,000 gal.)</del>	<del>3.74</del>	<del>3.74</del>

<u>Meter Size</u>	<u>Monthly Base Charge Commercial</u>	<u>Equivalency Factor</u>
<u>5/8"–3/4" (1)</u>	<u>19.80</u>	<u>1.0</u>
<u>1.0"</u>	<u>49.50</u>	<u>2.5</u>
<u>1.5"</u>	<u>99.00</u>	<u>5.0</u>
<u>2.0"</u>	<u>158.40</u>	<u>8.0</u>
<u>3.0"</u>	<u>316.80</u>	<u>16.0</u>
<u>4.0"</u>	<u>495.00</u>	<u>25.0</u>
<u>6.0"</u>	<u>990.00</u>	<u>50.0</u>
<u>8.0"</u>	<u>1,584.00</u>	<u>80.0</u>

- (4) Usage charge (per 1,000 gallons) of \$3.84 for all customer classes.
- (35) Each residential single-family dwelling unit shall have a cap of 10,000 gallons monthly. A cap shall not apply if an irrigation meter, sub-meter, or reclaimed water meter serves the property. All other customers shall be charged per actual water usage gallons.
- (46) Customers located outside the city limits are subject to a 25 percent surcharge.
- (57) No sewer charges are imposed on irrigation water meter flows.

§ 30-9(c) Reclaimed (irrigation) water rates.

<b>Customer Class</b>	<b>Usage Rates/1,000 Gallons</b>
General service users	\$0.67
Governmental/institutional users	\$0.67

Bulk users	\$0.41
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**PASSED IN OPEN AND REGULAR SESSION OF THE CITY COUNCIL OF THE CITY OF NAPLES, FLORIDA, THIS 19<sup>TH</sup> DAY OF FEBRUARY, 2014**

Attest:

\_\_\_\_\_  
Patricia L. Rambosk, City Clerk

\_\_\_\_\_  
John F. Sorey III, Mayor

Approved as to form and legality:

\_\_\_\_\_  
Robert D. Pritt, City Attorney

Date filed with City Clerk: \_\_\_\_\_