

**CITY OF MARATHON, FLORIDA  
RESOLUTION 2008-151**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARATHON, FLORIDA, RELATING TO THE ADOPTION OF A WASTEWATER UTILITY OPERATION AND MAINTENANCE RATE FOR THE LITTLE VENICE SERVICE AREA FOR THE FISCAL YEAR COMMENCING OCTOBER 1, 2008, IN THE CITY OF MARATHON, FLORIDA; AND PROVIDING AN EFFECTIVE DATE**

**WHEREAS**, the City of Marathon's Ordinance 2008-10 authorizes the City Council to establish rules and regulations for the operation of the Wastewater Utility; and

**WHEREAS**, the Ordinance authorizes and provides that operation and maintenance fees may be adopted by resolution and may be amended from time to time by resolution; and

**WHEREAS**, the City is acquiring the Little Venice Wastewater Treatment Plant and the Little Venice wastewater utility from the Florida Keys Aqueduct Authority ("FKAA"); and

**WHEREAS**, the City Council, by Final Assessment Resolution 2008-136, adopted on September 11, 2008, assumed the wastewater assessments for the Little Venice wastewater utility area; and

**WHEREAS**, Public Resources Management Group, Inc. has completed a revenue sufficiency analysis to determine the rate sufficiency of the existing FKAA rate structure for Little Venice.

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


**Section 1.** The above recitals are true and correct and incorporated herein.

**Section 2.** The City Council hereby approves the rates for the wastewater utility operation and maintenance of the Little Venice Service Area for the fiscal year commencing October 1, 2008, which are set forth on Exhibit A attached hereto.

**Section 3.** This resolution shall take effect immediately upon its adoption.

**PASSED AND APPROVED** by the City Council of the City of Marathon, Florida, this 23<sup>rd</sup> day of September, 2008

**THE CITY OF MARATHON, FLORIDA**

  
Edward P. Worthington, Mayor

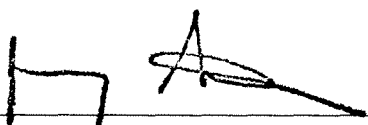
AYES: Bull, Cinque, Tempest, Vasil, Worthington  
NOES: None  
ABSENT: None  
ABSTAIN: None

**ATTEST:**

  
Diane Clavier, City Clerk

(City Seal)

**APPROVED AS TO FORM AND LEGALITY FOR THE USE AND RELIANCE OF THE CITY OF MARATHON, FLORIDA ONLY:**

  
City Attorney



**Public Resources Management Group, Inc.**

*Utility, Rate, Financial and Management Consultants*

**DRAFT**

August 28, 2008

Mr. Clyde Burnett  
City Manager  
City of Marathon  
9805 Overseas Highway  
Marathon, Florida 33050

Subject: **Initial Wastewater Rates for the Little Venice Wastewater System**

Dear Mr. Burnett:

As requested by City staff, Public Resources Management Group, Inc. (PRMG) has reviewed the existing monthly rates charged by FKAA for wastewater service in the Little Venice service area. Based on the data obtained for the Little Venice area, which includes historical billing data, and projected operating cost information, the existing FKAA Little Venice rates appear adequate to fund the Little Venice wastewater operating costs projected in the City's proposed Fiscal Year 2009 budget. However the renewals and replacement transfer amount in the Fiscal Year 2009 budget will need to be reduced as discussed in more detail below.

Please note that the existing wastewater rates are not sufficient to fund any debt service related to the Little Venice acquisition. It is our understanding that the Little Venice non-ad valorem assessments will fund debt service associated with the acquisition cost. In the event that such assessments are not adequate to fund this debt service, the existing monthly rates may need to be adjusted in the next four to six months when the rates for the other service areas are reviewed and adopted.

**Proposed Wastewater Rates for Little Venice**

The City established wastewater rules and regulations with the adoption of City Ordinance 2008-10. This ordinance provides for the establishment of wastewater rates by resolution. The proposed City of Marathon Little Venice wastewater rates to be implemented by resolution effective with service on or after September 30, 2008 are shown on Attachment A to this letter. By adopting the existing FKAA rates, the wastewater customers located in Little Venice will have no immediate change in monthly billing. Additionally, since the City has contracted with FKAA for billing services, existing Little Venice customers will continue to be billed by FKAA. However, the City should review the Little Venice rates coincident to the initial design of rates for the other wastewater service areas in early 2009 to determine overall City-wide wastewater rate sufficiency and rate structure.

### **Customer Profile and Rate Structure**

Attachment B to this letter provides a projection of annual Little Venice wastewater revenue based on actual Little Venice billing statistics for October 2007 through July 2008 as provided by FKAA. As shown on Attachment B, of the 663 existing Little Venice customers, 590 or 90% of the total are residential. Of the remaining non-residential customers, most have water service with a 5/8" meter, which is the smallest and most common meter size available. The current rate structure includes a base facility charge that is progressively higher for larger meter sizes. It is our recommendation that this structure be maintained during this transition period. However, the City could review other methods of applying base facility charges such as a per-EDU charge based on the EDU factor determined during the assessment process. In addition to the base facility charge is a volumetric charge based on metered water usage. The existing structure includes a monthly "cap" on residential water usage to provide an allowance for water that does not return through the wastewater system. This is a common wastewater billing structure and should be maintained. Based on an average usage level of 4,000 gallons, the typical residential wastewater customer bill is \$63.83 per month.

Because of its enabling legislation, the FKAA Rules include discounted rates for senior citizen customers that fall under a minimum income threshold. Those customers that qualify for the low-income senior discount currently pay no monthly base facility charge. However, the normal wastewater volumetric charge does apply to these customers. Since the City has no such requirement for discounted rates, the City should consider its policy on such discounts prior to the implementation of rates for the other service areas for several reasons. First, the imposition of special discounts for a certain customer class results in somewhat higher rates for other customer classes with no discount. Second, the City will need to establish criteria and procedures to continue this policy. Finally, discounted user rates based on income is not a common rate structure in Florida and does not reflect the actual cost of providing service. Therefore the City should review its ability to maintain such a rate structure. Based on FKAA billing data, 19 out of 663 customers (2.9%) qualify for this discount and are not billed the \$34.99 per month base facility charge. The City could consider grandfathering the discount for these existing customers provided so long as they continue to qualify for the discount pursuant to FKAA rules and regulations.

Finally, the rates shown on Attachment A also include a provision for annual inflation adjustments based on the Consumer Price Index (CPI). Because inflationary pressures are expected to continue for the economy as a whole and the utility industry specifically, it is prudent to annually adjust rates for such cost increases. Since the CPI, or any other inflation measure, is not perfect and does not capture other operational factors such as regulatory burdens that increase costs or enhancement that increase efficiency and reduce costs, the City should review rates every three years in order to properly reflect the cost of providing service.

**Renewals and Replacement Funding**

As additional wastewater service areas come online, the City should adopt a budget policy regarding renewal and replacement (R&R) transfers. R&R transfers are typically required as part of the rate covenants of utility bond financing. Such covenants require a certain amount of revenue each budget year, usually at least 5.0%, be set aside into a separate R&R fund. The purpose of setting aside revenues in an R&R fund is to have dedicated funds for current or future replacement of wastewater assets. During the first few years of service, the R&R fund balances should accumulate relative to R&R expenditures since a relative high level of replacements is not normally needed during this time. However, rates should always include an R&R funding component in order to build up balances for future replacement and avoid abrupt rate adjustments to fund future system replacements. As shown below, based on Little Venice revenue and the City's proposed operating budget for Little Venice, this amount equates to \$10,561 which is less than the \$228,000 in the City's proposed budget.

<u>Projected Fiscal Year 2009 Little Venice Net Revenue</u>	
Projected Rate Revenue Under Proposed Rates [1]	\$546,035
Little Venice Operating Expense Budget [2]	<u>\$535,474</u>
Projected Net Revenue Available for R&R Transfer	\$10,561
% of Rate Revenue	<u>1.9%</u>

[1] Amount obtained from Attachment B.

[2] Amount excludes budgeted R&R transfers and operating expenditures for other service areas.

As shown above, the existing revenue levels are sufficient to fund a 1.9% R&R transfer based on the City's Little Venice operating budget. Of course the net revenues will depend on the actual operating costs experienced by the City during the year. Since the projected revenue margins for the initial year of City wastewater operations, the City should review the Little Venice rates coincident to the initial design of rates for the other wastewater service areas in early 2009 to determine overall City-wide wastewater rate sufficiency and rate structure.

Very truly yours,

**Public Resources Management Group, Inc.**

Anthony D. Hairston  
Managing Consultant

Attachment

Attachment A

MARATHON, CITY OF

# UTILITY RATES

**MARATHON, CITY OF  
WASTEWATER UTILITIES RATE SCHEDULE**

Pursuant to City Ordinance 2008-10, Article IX, the user fee schedule and rates for wastewater service are set forth below:

BASE FACILITY CHARGE	
Single Family Residential Customers	\$34.99
<u>All Other Customer Classes</u>	
5/8" x 3/4"	\$34.99
1"	87.46
1 1/2"	174.94
2"	279.34
3"	524.44
4"	874.73
6"	1739.24
VOLUMETRIC CHARGE (Per 1,000 Gallons)	
Single Family and Qualified Senior Residential	
<u>Monthly Usage Range (Gallons)</u>	
0-12,000	\$7.21
Above 12,000 Gallons	0.00
All Other Classes of Service	
All Usage Levels	\$7.21
Monthly Charge for Customers with Alternative Water Supply	\$68.08

The Base Facility Charge and Volumetric Charge schedule shown above shall be adjusted October 1, 2010 to reflect the change in the U.S. Consumer Price Index (CPI) from July 2009 to July 2010 as published by the U.S. Department of Labor. An adjustment effective October 1 of every year thereafter shall be calculated in a similar manner.

The following is a Rate Schedule of the amount of fees and charges associated with a particular miscellaneous service charge as set forth above:

<u>Description of Charge</u>	<u>Amount</u>
Initial Service (Customer Application) Fee	\$ 0
Service Fee	
Normal Hours	\$ 20.00
Emergency (After Hours)	\$ 60.00
Plan Review Fee	Actual Cost, minimum of \$50
Pretreatment Fee	\$ 210.00
Delinquent Account Charge	Greater of \$4.00 or 10% of outstanding balance
Tampering Charge	\$ 150.00
Returned Check Charge	Florida Statute
Checks, up to \$50.00	\$ 25.00 min.
\$ 50.01 to \$300.00	\$ 30.00
\$ 300.01 to \$ 800.00	\$ 40.00
\$ 800.01 and over	5% of face value of check



**Attachment B  
City of Marathon, Florida**

**Projected Annual Little Venice Wastewater Rate Revenue [1]**

Line No.	Description	Average Monthly Bills	Facility Charge	Revenue	Gallons	Revenue Gallons	Usage Charge	Revenue	Total Revenue
<b>Residential</b>									
1	5/8" Meter [2]	571	\$ 34.99	\$ 239,751	31,883,520	27,072,480	\$ 7.21	\$ 195,193	\$ 434,944
2	5/8" Meter Senior	19	-	-	649,320	646,560	7.21	4,662	4,662
3	<b>Total Residential</b>	590		\$ 239,751	32,532,840	27,719,040		\$ 199,854	\$ 439,606
<b>Non-Residential</b>									
4	5/8" Meter	69	\$ 34.99	\$ 28,972	5,489,040	5,489,040	\$ 7.21	\$ 39,576	\$ 68,548
5	1" Meter	1	87.46	1,050	812,880	812,880	7.21	5,861	6,910
6	1 1/2" Meter	1	174.94	2,099	202,080	202,080	7.21	1,457	3,556
7	2" Meter	3	279.34	10,056	2,407,560	2,407,560	7.21	17,359	27,415
8	Total	74		\$ 42,177	8,911,560	8,911,560		\$ 64,252	\$ 106,429
9	Total Combined	664		\$ 281,928	41,444,400	36,630,600		\$ 264,107	\$ 546,035

Footnotes

- [1] Billing determinants based on actual results from October 2007 to July 2008 and are applied to the FKAA rates in effect since May 2008.  
 [2] Residential 5/8" Meter includes accounts listed as 2" because based on the charge assessed for the period, the account is billed at the 5/8" rate.