

MIAMI BEACH

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission
FROM: Jimmy L. Morales, City Manager
DATE: September 27, 2016

5:10 p.m. Second Reading Public Hearing

SUBJECT: AN ORDINANCE OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, AMENDING CHAPTER 110 OF THE CODE OF THE CITY OF MIAMI BEACH ENTITLED "UTILITIES," ARTICLE IV, ENTITLED "FEES, CHARGES, RATES AND BILLING PROCEDURE," AT SECTION 110-166, ENTITLED "SCHEDULE OF WATER RATES AND TAPPING CHARGES," AT SECTION 110-168, ENTITLED "SANITARY SEWER SERVICE CHARGE" ARE TO BE AMENDED; AND CREATING SECTION 110-171, ENTITLED "RATE INDEXING," IN ORDER TO ADJUST AND MODIFY HOW WATER AND SANITARY SEWER RATES ARE CALCULATED AND APPLIED; AND ALSO AMENDING APPENDIX A TO CHAPTER 110, ENTITLED "FEE SCHEDULE" TO INCREASE AND RESTRUCTURE THE WATER RATES AND SANITARY SEWER SERVICE CHARGES IMPOSED BY THE CITY PURSUANT TO SECTIONS 110-166, 110-168, AND 110-171; PROVIDING FOR CODIFICATION; REPEALER; SEVERABILITY; AND AN EFFECTIVE DATE.

RECOMMENDATION

The Administration recommends the City Commission adopt such rates to enable collecting revenues sufficient to cover the cost of operating, maintaining, repairing and financing the water and sewer enterprise funds. The Miami-Dade Water and Sewer Department (WASD) proposed a sewer rate increase to all wholesale customers of \$.1598 for sewer per 1000 gallons effective October 1, 2016. In order to further the City goal of sustainability, the Administration is recommending that we transition to a conservation rate structure consistent with the guidance and recommendations of the South Florida Water Management District and approving the Ordinance on Second Reading Public Hearing.

ANALYSIS

The City's utility rates for water and sanitary sewer services are structured to collect the necessary revenues to meet annual operating and maintenance costs of the infrastructure, to cover debt service for water and sewer bonds, to maintain adequate operating fund reserves, and, to pay Miami-Dade County for wholesale water purchased, the treatment of the City's sewage and other fees.

In general, the rates for water supply and sanitary sewer services are based on full cost recovery principles and consist of:

- Pass-through of the wholesale rate the City pays to Miami-Dade County for the purchase of potable water and treatment of sewage;
- Debt service for the Water and Sewer Revenue Bonds;
- Operating and maintenance costs for the water and sewer utility; 8 % fee of previous year total revenue paid to the Miami-Dade County Environmental Resource Management Department (DERM).

Public Resources Management Group, Inc. ("PRMG") was asked to evaluate the current rate structure and propose alternative (redesigned) rates as necessary to recover the costs of providing service given the target monthly user rate revenues for the Fiscal Year 2016/17 for consideration by the City Commission which will incentivize conservation of valuable water resources, meet industry standards regarding cost recovery/rate application to its customers, and maintain rate reasonableness among customers.

The Miami-Dade Water and Sewer Department has informed all wholesale customers that the proposed water rate for FY2016/17 will remain unchanged. WASD has also notified wholesale customers that their proposed sewer rate will be \$2.9477, an increase of \$0.1598 above the current rate of \$2.7879 per 1000 gallons. The cost of the proposed FY2016/17 sewer rate increase to Miami Beach is approximately \$2,926,000. The proposed WASD wholesale water and sewer rates are subject to approval by the Board of County Commissioners at their Public Budget Hearings, scheduled for September 8 and September 22, 2016.

Based on their review of the City's existing rates and projected rate revenues, billing statistics and operating costs, and understanding the City desire to enact a conservation rate, the recommended rate structure adjustments are listed below:

- A) Implementation of water and wastewater monthly base facility charges for the residential class.
- B) Implementation of water and wastewater monthly base facility charges for the general services class (commercial, master-metered residential, government, etc.) that increase based on meter size to recognize the diverse capacity (demand) characteristics among such customers which is consistent with utility rate structure norms and structures recommended by the Florida Public Service Commission (FPSC).
- C) Removal of the minimum water flow in the water minimum service charges to promote conservation and provide a pricing structure where water consumption charges are based solely on the amount of water a consumer uses:
- D) Implementation of tiered water rates to incentivize water conservation to those customers with discretionary water use (i.e., individually metered residential and irrigation customers); and
- E) Provide a cost recovery mechanism to promote long-term rate sustainability by the implementation of a purchased water and wastewater pass-through and price index rate adjustment.

Water Revenue Review and Recommendation

All operational expenditure increases related to the proposed cost of living adjustment to salaries, increased costs of health insurance and pension, and increases in other operating costs can be absorbed without the requirement to increase the water rate. PRMG is proposing to modify the monthly billing to consist of: i) a base facility charge which serves as the monthly minimum service charge on each service installed, based upon the size of the meter installed in accordance with the standards of the Public Works Department; ii) a water consumption charge; and iii) a purchased water pass-through adjustment rate to recover the cost of purchased water

as billed by the Miami-Dade Water and Sewer Department (WASD). The monthly water user rates charged for service have been proposed and may be adjusted from time to time.

PRMG also recommends that a monthly base facility charge be billed to all privately-owned fire protection systems and equipment connected to the city water system based on the size of the service line connecting the private system to the City's system. These systems provide fire protection and are not metered. The recommended monthly base facility charges are as follows:

Proposed Fire Protection Fees By Meter Size	
Base Facility Charge (per meter size)	Rate
2-inch	\$9.34
3-inch	17.18
4-inch	26.00
6-inch	50.50
8-inch	79.90
10-inch	114.20

The derivation of these charges are based on the methodology utilized by the Florida Public Service Commission (the "FPSC") in the regulation of private utilities that is often applied by public utilities in the State of Florida. In accordance with Section 25-30.465 of the Florida Administrative Code:

25-30.465 Private Fire Protection Rates.

The rate for private fire protection service shall be a charge based on the size of the connection rather than the number of fixtures connected. The rate shall be one-twelfth the current base facility charge of the utility's meter sizes, unless otherwise supported by the utility.

Sewer Revenue Review and Recommendation

A significant portion of the sewer rate revenue requirement consists of the WASD charges for sewer treatment which has increased by six percent or approximately \$3 million and DERM fees of approximately \$400,000. The debt service is also proposed to increase by \$2.5 million. Similar to the water rate, the revenue requirements will be met utilizing a base facility charge which will serve as the monthly minimum service charge, a consumption charge, and WASD pass through charges.

Based on the rate determination methodology established, PRMG also recommends the City should increase the wastewater wholesale rates charged to the Village of Bal Harbour, the Town of Bay Harbor Islands, and the Town of Surfside (collectively, the "Satellite Cities") from \$3.1050 to \$3.2705 per 1,000 gallons of service effective October 1, 2016.

Typical Proposed Rate Comparison

3/4"-Meter Residential Customer - Domestic

	Fiscal Year 2016	Fiscal Year 2017	Difference
Water Rates			
Minimum Service Charge / Base Facility Charge	\$22.15	\$7.82	

Consumption Charge per 1,000 Gallons			
0 to 4,000 Gallons	\$0.00	\$0.63	[1]
4,001 to 5,000 Gallons	0.00	1.42	[1]
5,001 to 8,000 Gallons	4.61	1.42	[1]
8,001 to 16,000 Gallons	4.61	2.21	[1]
16,001 to 24,000 Gallons	4.61	2.99	[1]
Over 24,000 Gallons	4.61	3.78	[1]
Purchased Water Pass-Through Rate per 1,000 Gallons (All Usage)		\$1.93	[1]

Wastewater Rates

Base Facility Charge	N/A	\$8.45	
Consumption Charge per 1,000 Gallons (All Flow)			
All Flow per 1,000 Gallons	\$8.23	\$4.26	[2]
Purchased Sewer Pass-Through Rate per 1,000 Gallons (All Flow)	N/A	\$4.76	[2]

Bill Comparison

Monthly Cost to 10,000 Gallon Customer			
Water	\$45.20	\$39.74	(\$5.46)
Wastewater	82.30	98.65	16.35
Combined	\$127.50	\$138.39	\$10.89
Monthly Cost to 5,000 Gallon Customer			
Water	\$22.15	\$21.41	(\$0.74)
Wastewater	41.15	53.55	12.40
Combined	\$63.30	\$74.96	\$11.66

Footnotes:

[1] The water consumption charge per 1,000 gallons and purchased water pass-through rate per 1,000 gallons are additive

[2] The wastewater consumption charge per 1,000 gallons and purchased sewer pass-through rate per 1,000 gallons are additive

CONCLUSION

The Administration recommends approving the Ordinance on Second Reading Public Hearing.

KEY INTENDED OUTCOMES SUPPORTED

Ensure Expenditure Trends Are Sustainable Over The Long Term

Legislative Tracking

Public Works

Sponsor

Commissioner Ricky Arriola

ATTACHMENTS:

Description

- D Ordinance