

ORDINANCE NO. 09-19

AN ORDINANCE OF THE CITY OF KEY WEST, FLORIDA, AMENDING CHAPTER 74 OF THE CODE OF ORDINANCES ENTITLED "UTILITIES" BY AMENDING SECTION 74-246 TO ADJUST THE SEWER SERVICE PROPORTIONAL USER CHARGE, THE MONTHLY BASE CHARGE UNIT (BCU) AND THE ALTERNATIVE WATER SURCHARGE; PROVIDING FOR SEVERABILITY; PROVIDING FOR REPEAL OF INCONSISTENT PROVISIONS; PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, the City Commission finds that sewer rate adjustments would promote the health, safety and welfare of the citizens of Key West.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF KEY WEST, FLORIDA:

Section 1: That Section 74-246 of the Code of Ordinances is hereby amended as follows\*:

**74-246. Annual sewer rates, charges and components.**

(a) The base charge component (BCU) of the sewer service user charge is determined to be ~~\$21.63~~\$23.23. The BCU may be adjusted each October 1, by Resolution of the city commission by up to 100

---

\*(Coding: Added language is underlined; deleted language is ~~struck~~ through.)

percent of the percentage increase in the CPI-(U), U.S. City Averages (as of June). The city commission shall enact an ordinance amendment to this section in order to increase the BCU in excess of the CPI.

(b) The proportional use charge component of the sewer service user charge is determined to be ~~\$4.28~~ \$4.60 per 1,000 gallons per month of actual or estimated sewage flow per user. The proportional use charge may be adjusted each October 1, by Resolution of the city commission by up to 100 percent of the percentage increase in the CPI-(U), U.S. City Averages (as of June). The city commission shall enact an ordinance amendment to this section in order to increase the proportional use charge in excess of the CPI.

\* \* \* \*

d) The flat monthly alternative water surcharge is determined to be ~~\$5.76~~ \$8.51.

\* \* \* \*

Section 2: If any section, provision, clause, phrase, or application of this Ordinance is held invalid or unconstitutional for any reason by any court of competent jurisdiction, the remaining provisions of this Ordinance shall be deemed severable therefrom and shall be construed as reasonable and necessary to achieve the lawful purposes of this Ordinance.

Section 3: All Ordinances or parts of Ordinances of said City in conflict with the provisions of this Ordinance are hereby superseded to the extent of such conflict.

Section 4: This Ordinance shall go into effect immediately upon its passage and adoption and authentication by the signature of the presiding officer and the Clerk of the Commission.

Read and passed on first reading at a regular meeting held this 1st day of September, 2009.

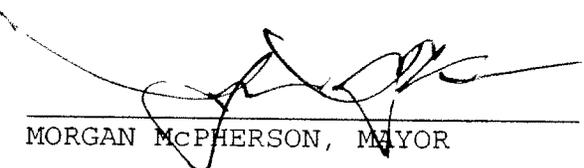
Read and passed on final reading at a regular meeting held this 15th day of September, 2009.

Authenticated by the presiding officer and Clerk of the Commission on 16th day of September, 2009.

Filed with the Clerk September 16th, 2009.

ATTEST:

  
\_\_\_\_\_  
CHERYL SMITH, CITY CLERK

  
\_\_\_\_\_  
MORGAN MCPHERSON, MAYOR

**Sec. 74-246. Annual sewer rates, charges and components.**

(a) The base charge component (BCU) of the sewer service user charge is determined to be \$21.63. The BCU may be adjusted each October 1, by resolution of the city commission by up to 100 percent of the percentage increase in the CPI-(U), U.S. City Averages (as of June). The city commission shall enact an ordinance amendment to this section in order to increase the BCU in excess of the CPI.

(b) The proportional use charge component of the sewer service user charge is determined to be \$4.28 per 1,000 gallons per month of actual or estimated sewage flow per user. The proportional use charge may be adjusted each October 1, by resolution of the city commission by up to 100 percent of the percentage increase in the CPI-(U), U.S. City Averages (as of June). The city commission shall enact an ordinance amendment to this section in order to increase the proportional use charge in excess of the CPI.

(c) The extra-normal strength charge component of the sewer service user charge is determined to be \$0.57 per pound of biochemical oxygen demand (BOD) and \$0.26 per pound of total suspended solids (TSS) contributed per month per user in excess of the amount accounted for in waste at a rate of 350 mg/l for BOD and for TSS.

(d) The flat monthly alternative water surcharge is determined to be \$5.76.

(e) The assumed percentage of water being contributed to the sewer system, as referred to in Ordinance No. 89-33, subsection (b)(1), continues to be 80 percent. This figure times the average monthly residential water consumption, the product then divided by the average number of residential dwelling units, yields an average residential monthly wastewater production (rounded to the nearest hundred gallons) or monthly base charge unit (BCU) of 3,700.

(Code 1986, § 74.42(j); Ord. No. 00-30, § 1, 10-4-2000; Ord. No. 01-14, § 1, 9-18-2001; Ord. No. 03-25, § 1, 9-11-2003; Ord. No. 06-18, § 1, 10-3-2006)



THE CITY OF KEY WEST

Post Office Box 1409 Key West, FL 33041-1409 • 305 • 809-3700

M  
E  
M  
O  
R  
A  
N  
D  
U  
M

**TO:** Jim Scholl, City Manager

**Cc:** Mark Finigan, Asst. City Manager  
E. David Fernandez, Asst. City Manager-Operations

**FROM:** Gary W. Bowman, General Services Dept. Director

**DATE:** August 12, 2009

**SUBJECT:** **Authorizing a \$23.23 Wastewater Base Charge Component, an \$8.51 Sewer Well Surcharge, and a \$4.60 Wastewater Commodity Charge for FY 2010**

**Action statement:**

This ordinance will authorize a 1.40% increase in the average monthly wastewater bill for Key West households for FY 2010

**Background:**

The City Commission establishes the wastewater rates for our residents and businesses each fiscal year. If there is an increase, it must be approved by resolution. If an increase were to be greater than the Consumer Price Index (CPI), then approval must come in the form of an ordinance. With the slowing economy lowering the CPI, this increase will require an ordinance for FY 2010.

In order to effectively maintain our wastewater collection system and treatment plant, the City has established a long-term capital improvement and maintenance plan. The City also plans to maintain our current level of staff to operate our award-winning advanced wastewater treatment plant. An increase in the budget is necessary to achieve these objectives.

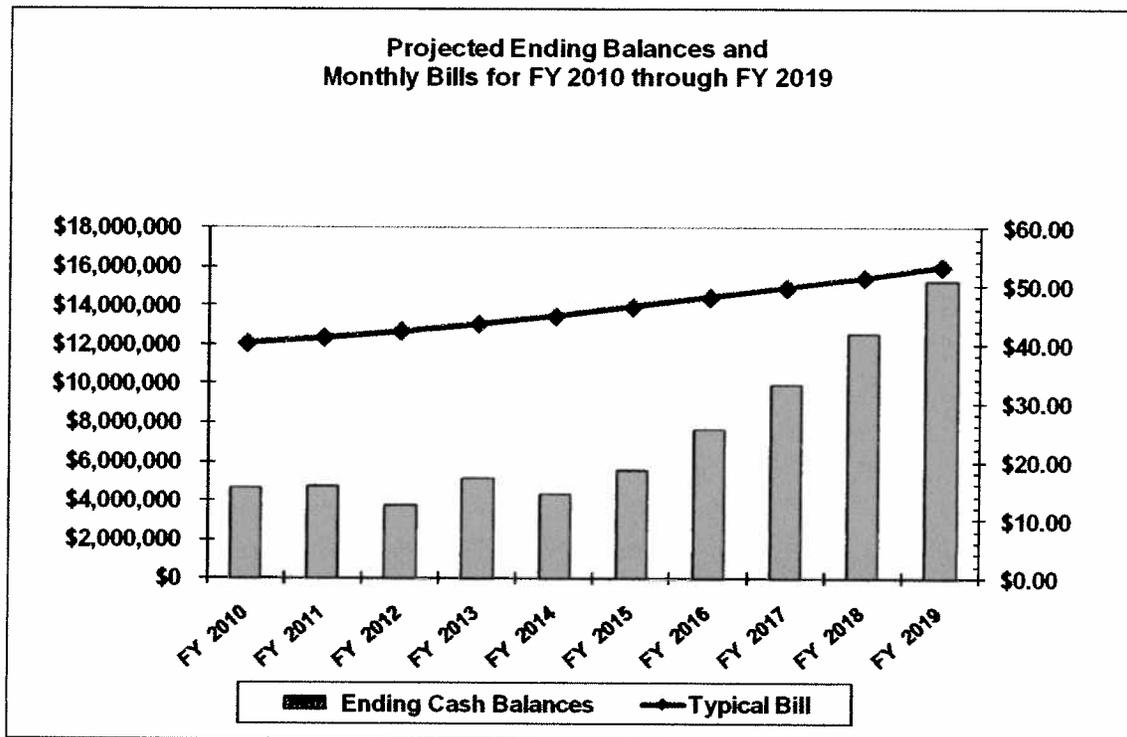
**Purpose and Justification:**

In setting the FY 2010 budget, the City plans on accomplishing the following goals:

*Key to the Caribbean - Average yearly temperature 77° F*

- Completion of our Diffused Aeration Retrofit Plan at the WWTP
- Begin our Wastewater Reuse Program Partnership with FCAA
- Meeting our debt service coverage requirement
- Continuation of our capital improvement plan
- Continued staffing of wastewater staff at current levels (OMI) to ensure a safe and effective level of service to maintain our collection system and operate our advanced wastewater treatment plant.

**Options:**



- 1) The City may choose to maintain wastewater budget at current levels. This option is not recommended because it will hinder our ability to continue our wastewater capital plan, and result in delays in purchasing needed equipment and parts.
- 2) The City can approve a \$23.23 base charge, an \$8.51 sewer well surcharge, and a \$4.60 commodity charge for wastewater. This would be 1.40% increase for FY 2010.

**Financial Impact:**

The financial impact of this proposed increase would be as follows:

	FY 2009 Budget	Proposed FY 2010 Budget	Increase	% Increase
Base Charge	\$22.91	\$23.23	\$0.32	1.40%
Commodity Charge	\$4.54/thousand gallons	\$4.60/thousand gallons	\$0.06	1.32%

The average household uses 3700 gallons of sewer volume per month (based on 4,625 gallons of water use) Therefore, the average Key West household would see just a \$0.54 increase per month on their wastewater bill. (1.36%)

Average Monthly Bill	Base Charge	Commodity Charge *	Total
FY 2009	\$22.91	\$16.80	\$39.71
Proposed FY 2010	\$23.23	\$17.02	\$40.25

*\*based on an average rate of household sewer volume used*

**Recommendation:**

Staff recommends option #2, approving a 1.40% increase in the wastewater budget.



# City of Key West, Florida Utilities Department

**FY 2010 Sewer Rate Study Update**

August 05, 2009

# Project Highlights

- **Financial Forecast Drivers**
  - Inflation (CPI), capital needs, debt service coverage, and ending cash balances
- **Diffused Aeration Retrofit and N. Roosevelt Force Main Replacement projects place great demand on ending cash balances**
- **The Utility fulfills debt service coverage requirements over the forecast period (FY 2010 through FY 2015).**
- **Maintaining the minimum ending cash balances**
  - 60 – Day Cash Balance (Acceptable)
  - 90 – Day Cash Balance (Target)

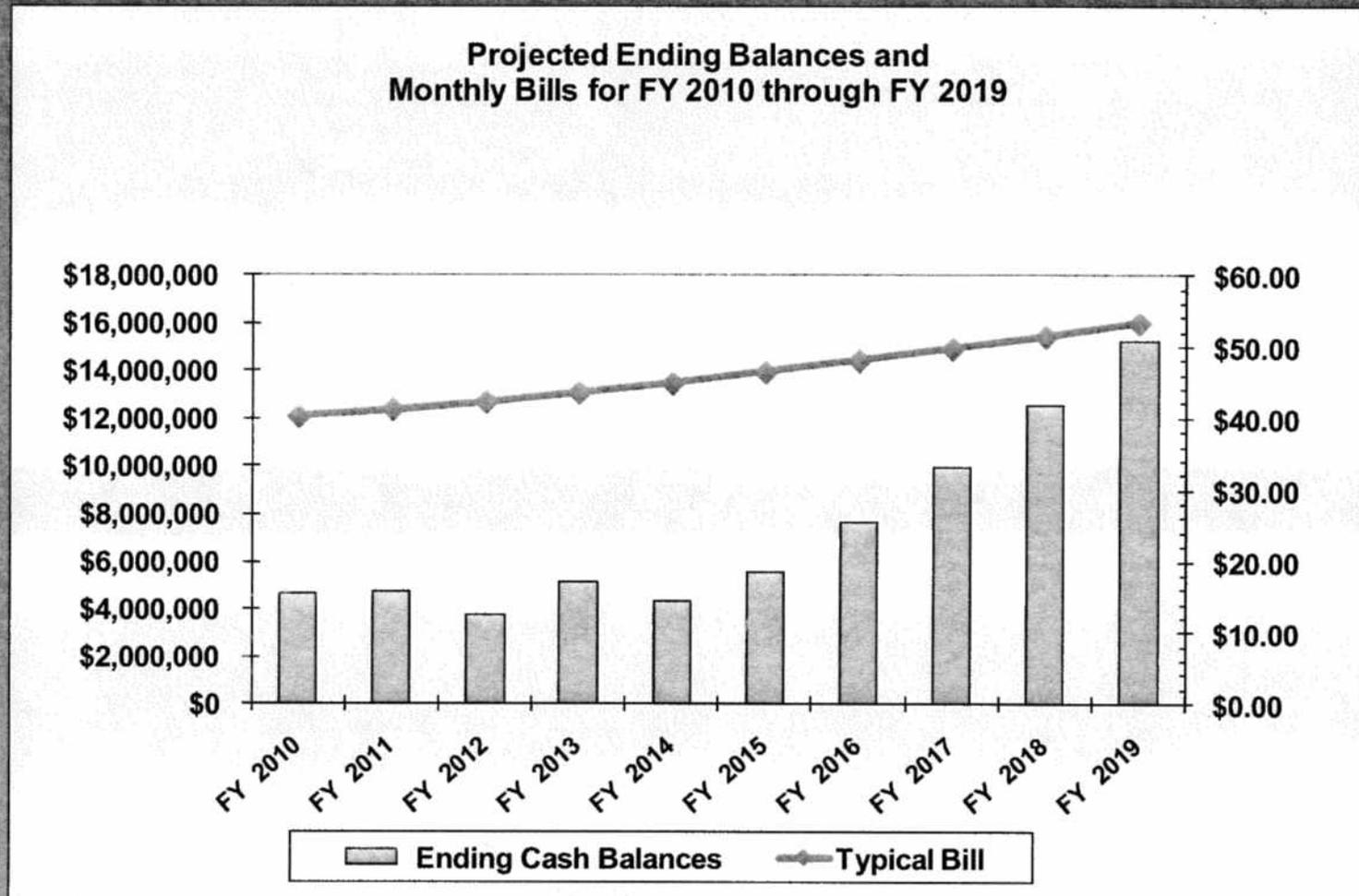


# Financial Highlights

Line	Description	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>Revenues:</b>						
1	Operating Revenues	\$ 11,735,146	\$ 12,074,847	\$ 12,414,290	\$ 12,827,706	\$ 13,246,233
2	Other Income	148,205	82,755	83,725	71,581	89,425
3	<b>Total Operating Revenues</b>	<b>\$ 11,883,351</b>	<b>\$ 12,157,602</b>	<b>\$ 12,498,015</b>	<b>\$ 12,899,287</b>	<b>\$ 13,335,659</b>
4	<b>Total Operating Expenditures</b>	<b>\$ 7,872,350</b>	<b>\$ 8,069,159</b>	<b>\$ 8,270,888</b>	<b>\$ 8,519,015</b>	<b>\$ 8,774,585</b>
5	<b>Operating Income</b>	<b>\$ 4,011,001</b>	<b>\$ 4,088,443</b>	<b>\$ 4,227,127</b>	<b>\$ 4,380,272</b>	<b>\$ 4,561,073</b>
6	Sewer Connection Fees	60,000	60,000	60,000	60,000	60,000
7	<b>Net Revenues</b>	<b>\$ 4,071,001</b>	<b>\$ 4,148,443</b>	<b>\$ 4,287,127</b>	<b>\$ 4,440,272</b>	<b>\$ 4,621,073</b>
8	Debt Service Requirements	2,379,814	2,772,649	2,770,719	2,771,269	2,769,039
9	<b>Income Avail. After Debt Service</b>	<b>\$ 1,691,186</b>	<b>\$ 1,375,794</b>	<b>\$ 1,516,408</b>	<b>\$ 1,669,003</b>	<b>\$ 1,852,035</b>
10	<b>Debt Service Coverage</b>	<b>1.71</b>	<b>1.50</b>	<b>1.55</b>	<b>1.60</b>	<b>1.67</b>
<b>Other Needs &amp; Transfers:</b>						
11	R&R Transfer - Navy Reimbursement	\$ 2,008,744	\$ 384,062	\$ 732,012	\$ 29,065	\$ 224,901
12	Grant Funding - ACOE	3,717,294	0	0	0	0
13	Inter-Fund Loan	(1,800,000)	0	0	0	0
14	Inter-Fund Loan Repayment	0	127,758	109,523	109,523	73,954
15	<b>Total Other Needs &amp; Transfers</b>	<b>\$ 3,926,038</b>	<b>\$ 511,821</b>	<b>\$ 841,535</b>	<b>\$ 138,588</b>	<b>\$ 298,855</b>
<b>Beginning Cash Balance:</b>						
16	Revenue Surplus/Deficit	\$ 9,856,817	\$ 4,620,569	\$ 4,698,183	\$ 3,726,626	\$ 5,154,218
17	Operating Balance	5,617,224	1,887,615	2,357,943	1,807,592	2,150,890
18	Capital Funded from Rate Revenues	(10,853,472)	(1,810,000)	(3,329,500)	(380,000)	(2,940,350)
19	<b>Ending Cash Balance</b>	<b>\$ 4,620,569</b>	<b>\$ 4,698,183</b>	<b>\$ 3,726,626</b>	<b>\$ 5,154,218</b>	<b>\$ 4,364,758</b>
20	<b>Required Cash Balance</b>	<b>\$ 1,968,088</b>	<b>\$ 2,017,290</b>	<b>\$ 2,067,722</b>	<b>\$ 2,129,754</b>	<b>\$ 2,193,646</b>
21	<b>Surplus/Deficit Cash Balance</b>	<b>\$ 2,652,481</b>	<b>\$ 2,680,893</b>	<b>\$ 1,658,904</b>	<b>\$ 3,024,464</b>	<b>\$ 2,171,112</b>



# Projected Ending Balances and Monthly Bills for FY 2010 through FY 2019



# Capital Improvement Projects

Line	Description	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1	Lightning Protection Rehab	\$120,950	\$0	\$0	\$0	\$0
2	Misc Sewer System Repairs - Leak Repair	200,000	210,000	220,000	230,000	240,350
3	Diffused Aeration Retrofit (Incl. Eng.)	5,255,972	0	0	0	0
4	Fleming Key Pipe Bridge Repair	600,000	0	0	0	0
5	Deep Well Mech. Integ. Testing (MIT)	0	0	0	0	0
6	Truman Annex Sewer - BRAC (Incl. Eng.)	0	0	0	0	0
7	30" Forcemain Extention/Headworks	350,000	1,600,000	3,109,500	0	0
8	PE Pump Shaft/Sleve	55,000	0	0	0	0
9	HVAC Administration Building	439,950	0	0	0	0
10	Solids Process Drain Pumps	50,600	0	0	0	0
11	Wastewater Reuse (City-FKAA)	500,000	0	0	0	0
12	P.S. B Gravity Front to Green	0	0	0	150,000	2,700,000
13	CAT Generator Enclosure	185,000	0	0	0	0
14	Sludge Process Drain Pump	120,000	0	0	0	0
15	N.Roosevelt Force Main Replacement D.O.T.	2,976,000	0	0	0	0
16	<b>Total Capital Projects</b>	<b>\$10,853,472</b>	<b>\$1,810,000</b>	<b>\$3,329,500</b>	<b>\$380,000</b>	<b>\$2,940,350</b>



# Capital Improvement Projects

Line	Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
1	Lightning Protection Rehab	\$0	\$0	\$0	\$0	\$0
2	Misc Sewer System Repairs - Leak Repair	877,000	250,000	261,250	273,006	285,291
3	Diffused Aeration Retrofit (Incl. Eng.)	0	0	0	0	0
4	Fleming Key Pipe Bridge Repair	0	0	0	0	0
5	Deep Well Mech. Integ. Testing (MIT)	150,000	0	0	0	0
6	Truman Annex Sewer - BRAC (Incl. Eng.)	0	0	0	0	0
7	30" Forcemain Extention/Headworks	0	0	0	0	0
8	PE Pump Shaft/Sleve	0	0	0	0	0
9	HVAC Administration Building	0	0	0	0	0
10	Solids Process Drain Pumps	0	0	0	0	0
11	Wastewater Reuse (City-FKAA)	0	0	0	0	0
12	P.S. B Gravity Front to Green	0	0	0	0	0
13	CAT Generator Enclosure	0	0	0	0	0
14	Sludge Process Drain Pump	0	0	0	0	0
15	N.Roosevelt Force Main Replacement D.O.T.	0	0	0	0	0
16	<b>Total Capital Projects</b>	<b>\$1,027,000</b>	<b>\$250,000</b>	<b>\$261,250</b>	<b>\$273,006</b>	<b>\$285,291</b>



# Historical & Proposed BCUs (FY 2010)

Year	Calculated BCUs
2007	3,626
2008	3,740
2009	3,659
Currently in Effect	3,700
Calculated per City Code (3-Year Rolling Average)	3,675
Proposed FY 2010	<b>3,700</b>



# Projected Monthly Sewer Bill (Residential)

	Metered Water Use (gallons)	Est. Sewer Volume (gallons)	Bill Under Prior Year Rates			Bill Under Current Year Rates			Percent Charge
			Base Charge	Commodity Charge	Total Charge	Base Charge	Commodity Charge	Total Charge	
FY 2010	2,500	2,000	\$22.91	\$9.08	<b>\$31.99</b>	\$23.23	\$9.20	<b>\$32.43</b>	<b>1.38%</b>
	4,625	3,700	\$22.91	\$16.80	<b>\$39.71</b>	\$23.23	\$17.02	<b>\$40.25</b>	<b>1.36%</b>
	5,000	4,000	\$22.91	\$18.16	<b>\$41.07</b>	\$23.23	\$18.40	<b>\$41.63</b>	<b>1.36%</b>
	6,250	5,000	\$22.91	\$22.70	<b>\$45.61</b>	\$23.23	\$23.00	<b>\$46.23</b>	<b>1.36%</b>
FY 2011	2,500	2,000	\$23.23	\$9.20	<b>\$32.43</b>	\$23.81	\$9.44	<b>\$33.25</b>	<b>2.53%</b>
	4,625	3,700	\$23.23	\$9.20	<b>\$32.43</b>	\$23.81	\$9.44	<b>\$33.25</b>	<b>2.53%</b>
	5,000	4,000	\$23.23	\$17.02	<b>\$40.25</b>	\$23.81	\$17.46	<b>\$41.27</b>	<b>2.54%</b>
	6,250	5,000	\$23.23	\$18.40	<b>\$41.63</b>	\$23.81	\$18.88	<b>\$42.69</b>	<b>2.55%</b>
FY 2012	2,500	2,000	\$23.81	\$9.44	<b>\$33.25</b>	\$24.41	\$9.68	<b>\$34.09</b>	<b>2.53%</b>
	4,625	3,700	\$23.81	\$17.46	<b>\$41.27</b>	\$24.41	\$17.91	<b>\$42.32</b>	<b>2.53%</b>
	5,000	4,000	\$23.81	\$18.88	<b>\$42.69</b>	\$24.41	\$19.36	<b>\$43.77</b>	<b>2.53%</b>
	6,250	5,000	\$23.81	\$23.60	<b>\$47.41</b>	\$24.41	\$24.20	<b>\$48.61</b>	<b>2.53%</b>
FY 2013	2,500	2,000	\$24.41	\$9.68	<b>\$34.09</b>	\$25.14	\$9.98	<b>\$35.12</b>	<b>3.02%</b>
	4,625	3,700	\$24.41	\$17.91	<b>\$42.32</b>	\$25.14	\$18.46	<b>\$43.60</b>	<b>3.04%</b>
	5,000	4,000	\$24.41	\$19.36	<b>\$43.77</b>	\$25.14	\$19.96	<b>\$45.10</b>	<b>3.04%</b>
	6,250	5,000	\$24.41	\$24.20	<b>\$48.61</b>	\$25.14	\$24.95	<b>\$50.09</b>	<b>3.04%</b>
FY 2014	2,500	2,000	\$25.14	\$9.98	<b>\$35.12</b>	\$25.89	\$10.28	<b>\$36.17</b>	<b>2.99%</b>
	4,625	3,700	\$25.14	\$18.46	<b>\$43.60</b>	\$25.89	\$19.02	<b>\$44.91</b>	<b>2.99%</b>
	5,000	4,000	\$25.14	\$19.96	<b>\$45.10</b>	\$25.89	\$20.56	<b>\$46.45</b>	<b>2.99%</b>
	6,250	5,000	\$25.14	\$24.95	<b>\$50.09</b>	\$25.89	\$25.70	<b>\$51.59</b>	<b>2.99%</b>
FY 2015	2,500	2,000	\$25.89	\$10.28	<b>\$36.17</b>	\$26.80	\$10.64	<b>\$37.44</b>	<b>3.51%</b>
	4,625	3,700	\$25.89	\$19.02	<b>\$44.91</b>	\$26.80	\$19.68	<b>\$46.48</b>	<b>3.51%</b>
	5,000	4,000	\$25.89	\$20.56	<b>\$46.45</b>	\$26.80	\$21.28	<b>\$48.08</b>	<b>3.51%</b>
	6,250	5,000	\$25.89	\$25.70	<b>\$51.59</b>	\$26.80	\$26.60	<b>\$53.40</b>	<b>3.51%</b>



# Projected Monthly Sewer Bill (Commercial)

	Large Hotel	Medium Hotel	Small Hotel	Guest House
<b><u>PRIOR YEAR</u></b>				
Actual Wastewater Usage (gal/mo.)	1,243,260	643,254	46,046	13,386
BCUs	336	174	13	4
BCU Charge	\$7,697.76	\$3,986.34	\$297.83	\$91.64
Commodity Charge	\$5,644.40	\$2,920.37	\$209.05	\$60.77
Typical Monthly Bill	\$13,342	\$6,907	\$507	\$152
<b><u>PROPOSED YEAR</u></b>				
Actual Wastewater Usage (gal/mo.)	1,243,260	643,254	46,046	13,386
BCU	336	174	13	4
BCU Charge	\$7,805.28	\$4,042.02	\$301.99	\$92.92
Commodity Charge	\$5,719.00	\$2,958.97	\$211.81	\$61.58
Typical Monthly Bill	\$13,524.28	\$7,000.99	\$513.80	\$154.50
Percent Change	1.36%	1.36%	1.37%	1.37%



# Projected Monthly Sewer Bill (Commercial)

	Downtown			
	Restaurant	Grocery	Shop	Laundry
<b><u>PRIOR YEAR</u></b>				
Actual Wastewater Usage (gal/mo.)	86,120	66,800	660	56,214
BCUs	24	19	1	16
BCU Charge	\$549.84	\$435.29	\$22.91	\$366.56
Commodity Charge	\$390.98	\$303.27	\$3.00	\$255.21
Typical Monthly Bill	\$940.82	\$738.56	\$25.91	\$621.77
<b><u>PROPOSED YEAR</u></b>				
Actual Wastewater Usage (gal/mo.)	86,120	66,800	660	56,214
BCU	24	19	1	16
BCU Charge	\$557.52	\$441.37	\$23.23	\$371.68
Commodity Charge	\$396.15	\$307.28	\$3.04	\$258.58
Typical Monthly Bill	\$953.67	\$748.65	\$26.27	\$630.26
Percent Change	1.37%	1.37%	1.39%	1.37%



# Points of Uncertainty

- **Water Flows:**
  - **Currently, the region is experiencing a Phase II drought restrictions (moved from Phase III to Phase II)**
    - Reduced drought restrictions does not equal increased revenues
    - Increased drought restrictions equals more efficient usage of water by utility customers
  - **The impact of the tourism economy cannot be quantified based on the information provided to the City.**
  - **The impact of the real estate market (foreclosures) is not be tracked within the City.**



# Recommendations

- Recommend adjusting both the BCU and Commodity Charge equal to 100% of the inflationary factor of 1.40%. Results in an increase in a typical monthly bill increase of 1.36% (or \$0.54) from FY 2009 to FY 2010.
- Recommend 100% of CPI on both the Base & Commodity components to eliminate the annual operating deficit in the sewer system.
- Formulate a monitoring program to track the economic and environmental characteristics of the City as it relates to the Sewer System in an effort to identify environmental, water usage, and customer attrition impacts on the Sewer System.
  - Water Shortage
  - Tourism Sector



# Questions?

