



**Town of Surfside  
Special Town Commission Workshop  
July 15, 2010**

**7 p.m.**

Town Hall Commission Chambers - 9293 Harding Ave, 2<sup>nd</sup> Fl  
Surfside, FL 33154

**MINUTES**

**1. Opening**

- A. Call to Order The meeting was called to order at 7:05 p.m.
- B. Roll Call of Members Town Clerk, Debra Eastman called the roll with Commissioner Michael Karukin, Commissioner Edward Kopelman, Vice Mayor Joe Graubart and Mayor Daniel Dietch in attendance. Commissioner Marta Olchyk was absent.
- C. Pledge of Allegiance Vice Mayor Joe Graubart led the Pledge of Allegiance.
- D. Public Comments for Non-agenda Items There were no comments.

**2. Town Commission Workshop/Water and Sewer Rate Analysis**

- A. Water/Sewer Fund Financial Overview – Martin D. Sherwood, Finance Support Services Martin Sherwood gave an overview of anticipated increases in the proposed budget as published.
- B. Water/Sewer State of the Infrastructure Overview – Fernando J. Rodriguez, Director of Public Works and Calvin, Giordano & Associates Fernando Rodriguez explained the status of the current aging infrastructure. John Messarian of Calvin, Giordano and Associates explained the current water loss within the system, the videoing that was done to the sewer pipes and the plan for replacement and relining.
- C. Water/Sewer Rate Analysis Overview – Brian Jewett, TischlerBise
  - i. Objectives of Analysis
  - ii. Rate Setting Principles and Approach
  - iii. Presentation of Proposed Water/Sewer Rates
  - iv. Comparative Agency Analysis

v. Customer Impact of Proposed Rates

Brian Jewett, TischlerBise, fiscal engineering and economic consultant gave a presentation of the above (attached).

Vice Mayor Joe Graubart requested that some of the information in the presentation be published in the Gazette. Mayor Daniel Dietch requested that the Commission be provided with a histogram to see how many users fall into each category.

Commissioner Michael Karukin asked for the median bimonthly water use.

3. Commission Discussion and Rate Policy Direction

Mayor Daniel Dietch asked to be provided with the cost of outsourcing of utility billing.

Vice Mayor Joe Graubart requested that the rate structure include a provision for the elderly and less fortunate.

Mr. Jewett gave the Commission his recommendations of option two, all three of the reserve targets, eliminate minimum consumption charges, eliminate discount program and begin a monthly billing cycle.

Utility Coordinator, Catherine Colonna answered questions from the Commission.

Alina Ramirez asked about water as a renewable resource and about reclaiming water.

Kathy Imberman stated she is in favor of removing the minimum, but not in favor of option 2.

Litsa Kyrellis asked about past water bills and possible pressure testing of pipes.

4. Schedule and Next Steps

A. Tonight: Rate Policy Direction

The Commission gave the following direction: Water rates – in favor of option 2. Sewer rates – in favor of option 2. Reserve Targets – in favor of some interim targets. Minimum consumption charges – eliminate. Billing cycle – asked for a comparison of in-house and outsourced bimonthly and monthly for both. Commissioner Kopelman asked that the FPL model for disconnection of service be investigated. Mayor Dietch asked Mr. Jewett to explore adding the penalty provision to the bill.


B. Community Outreach Meeting & Discussion: 8/3/10 (meeting has been noticed on customer water bills and posted on Town of Surfside website)

C. First Public Hearing & Ordinance: 8/10/10

D. Second Public Hearing & Ordinance: 9/14/10

3. **Adjournment** The meeting adjourned at 10:10 p.m.

Accepted this 10 day of Aug., 2010.



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Daniel Dietch, Mayor

Attest:



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Debra E. Eastman, MMC

Town Clerk

# Water & Sewer Rate Study Presentation Town Commission Workshop

July 15, 2010

Town of Surfside, Florida

**TischlerBise**  
Fiscal, Economic & Planning Consultants

Brian Jewett – TischlerBise

# What we'll cover today

- Project considerations & objectives of rate analysis
- Rate setting overview
- Financial plan & proposed rate design
- Agency rate comparisons
- Surfside customer impact analysis

# Project considerations

- Revenue stability/Financial flexibility
  - Significant repair and replacement costs
  - MDWSD & City of Miami Beach costs increasing every year, by 10% and greater
  - Significantly reduced reserves after capital funding
- Customer rate equity
- Resource conservation
- Need for comprehensive, formal rate study & understandable rate model for future planning

# Rate analysis objectives

- Develop 5-year financial plans for water & sewer utilities
  - Develop rates to fully fund O&M & capital (debt service on revenue bonds)
  - Develop alternative rate structure options
  - Establish reserve policies for financial flexibility and avoid future rate spikes
- Promote equity – address minimums & discounts
- Encourage water conservation – tiered rates

# Rate Setting Overview

- Revenue Requirements
  - Revenues and O&M projections
  - Capital Facilities Requirements (CIP)
  - Financial Plan Development
- Cost of Service
  - O&M and Capital Cost Allocations
  - Units of Service Development
  - Customer Cost Allocation
- Design Rate Structure
  - Review Current Rate Structure
  - Propose Rate Design

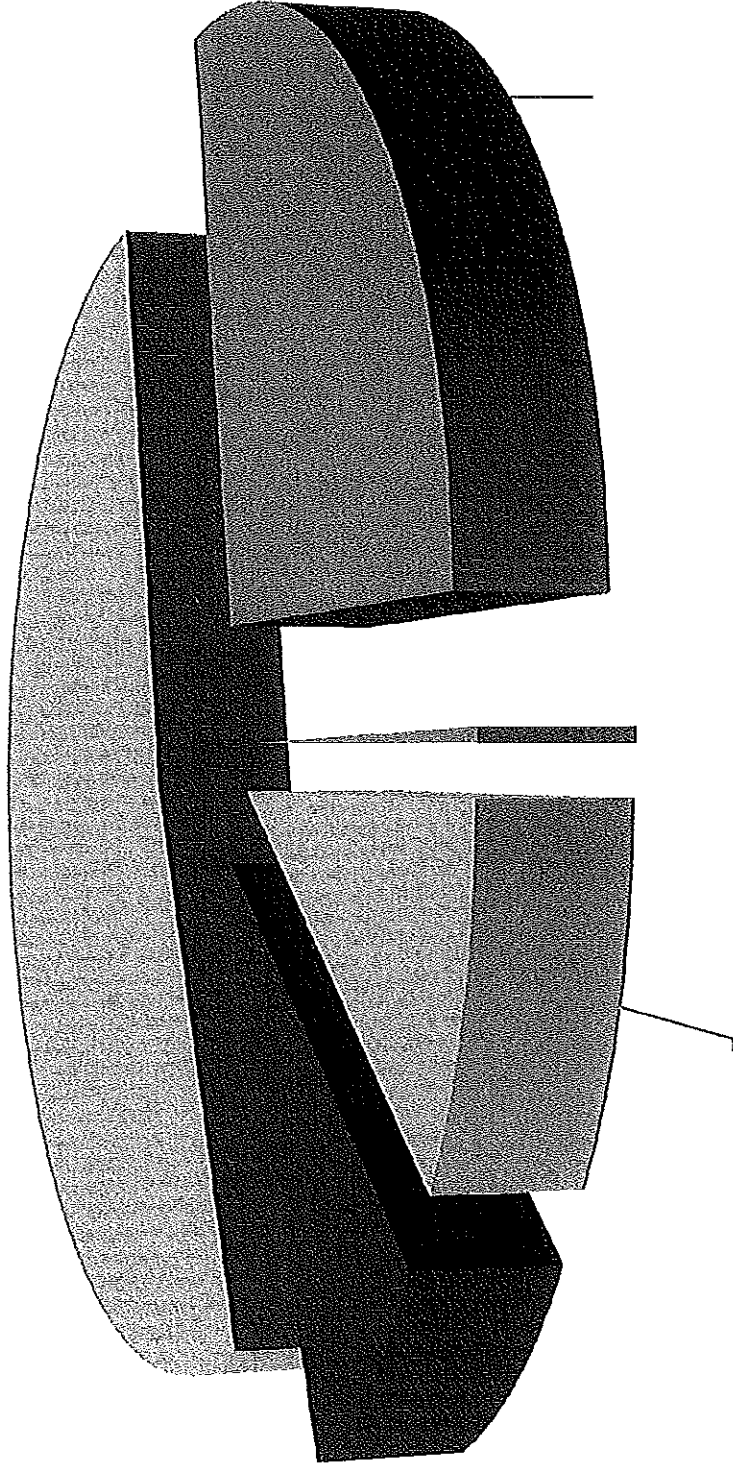


# Study Assumptions

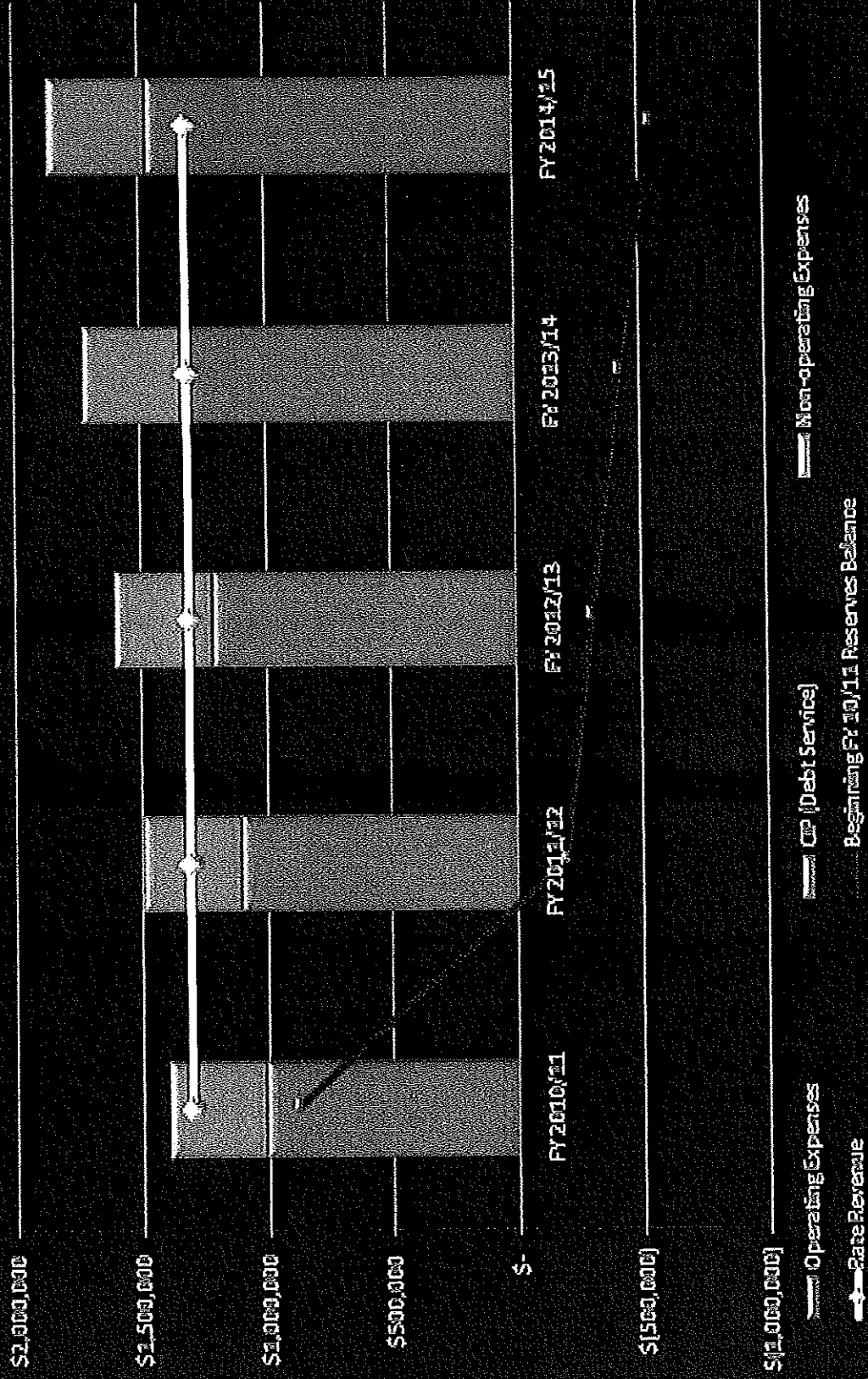
- Nominal growth rate
  - 0.25% over next 5 fiscal years
- Base year
  - FYE 2010/11 Proposed Budget
- Utility costs
  - Inflated in the range of 2.0% to 5.0% annually
- Target reserve balances for prudent financial planning
  - Restricted R&R – up to 2x annualized CIP \$
  - Restricted Rate Stabilization – up to 10% annual revenues
  - Unrestricted Reserves – up to 25% operating expenses
- CIP funding
  - Restricted & unrestricted assets, BBC reimbursement, bonds paid for solely by rates, not taxes

# Financial Analysis

# What are the costs of Surfside water?

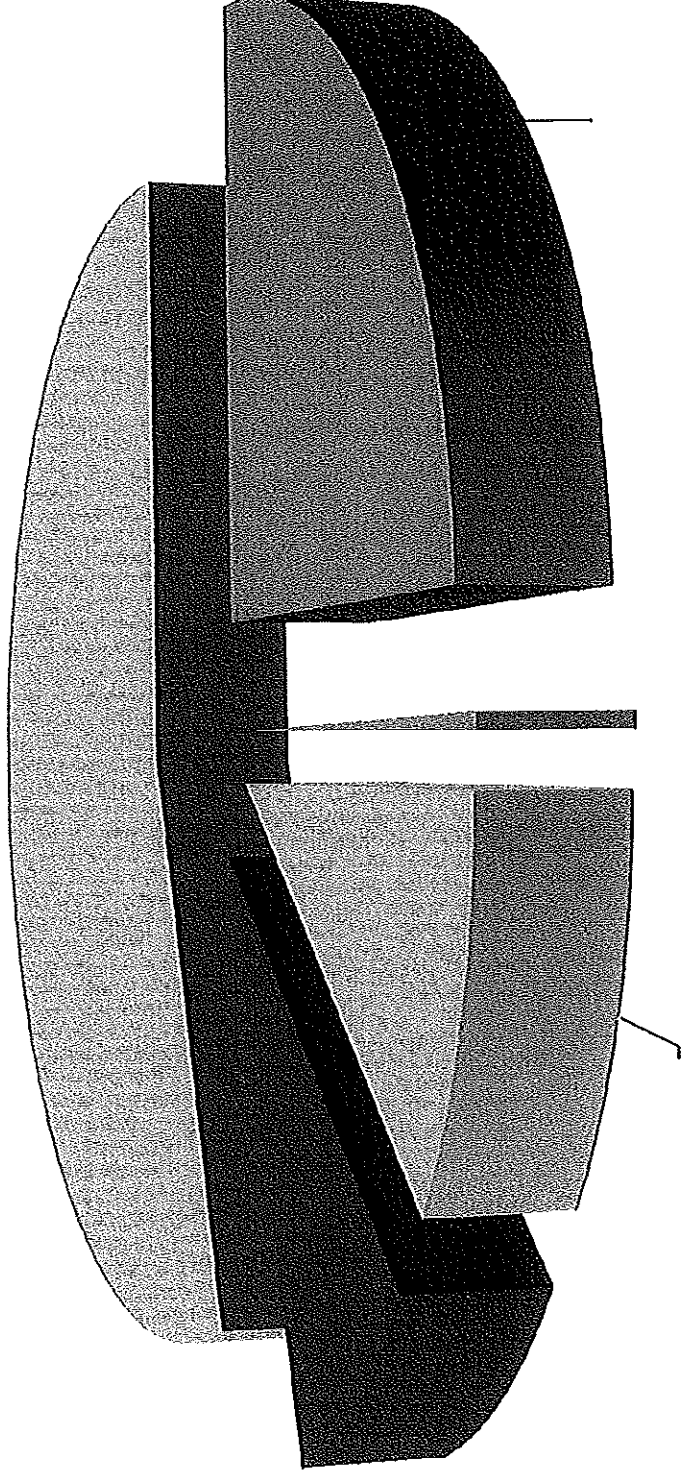


# Projections Using Current Water Rates

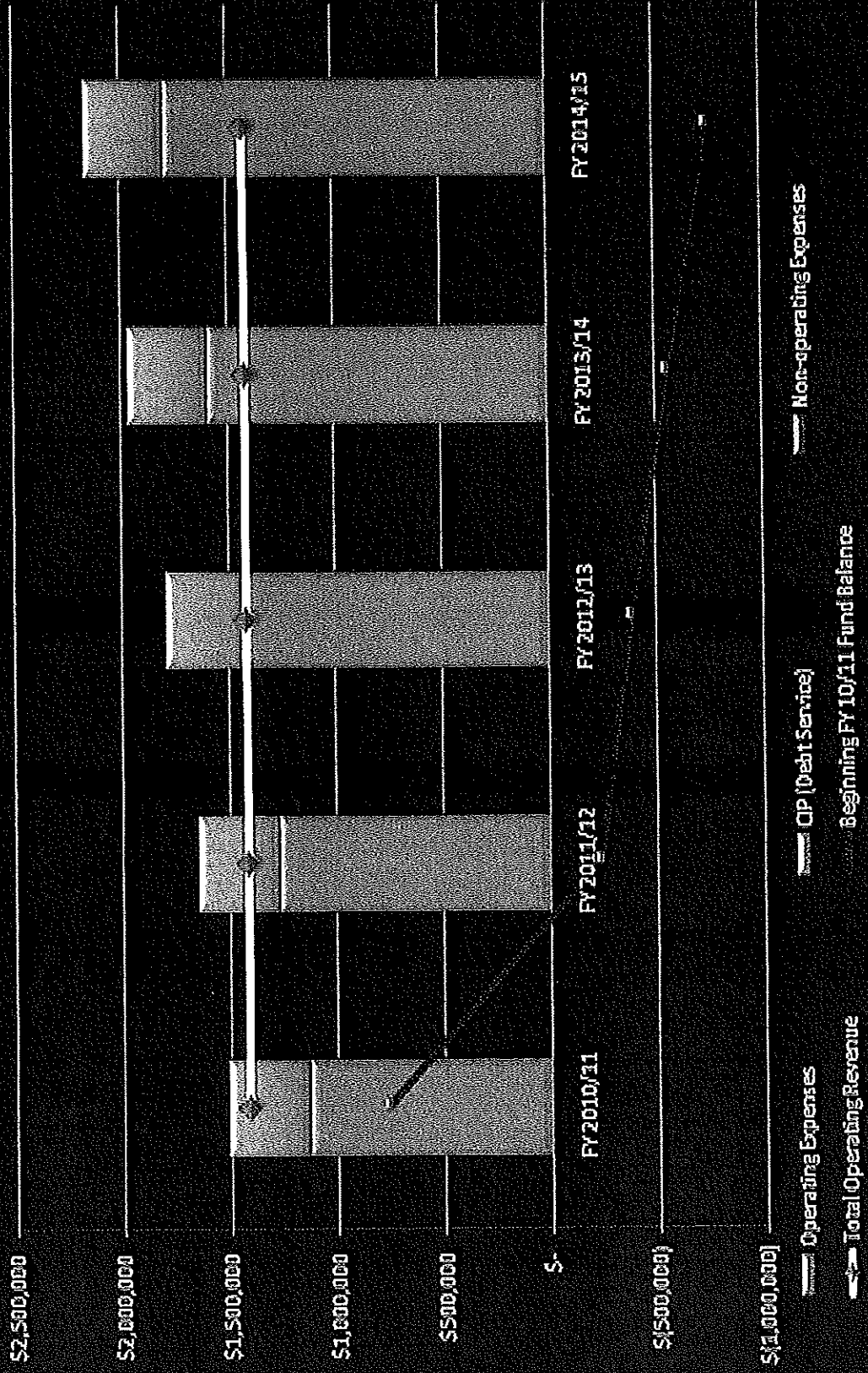


Operating Expenses  
 Rate Revenue  
 CP (Debt Service)  
 Non-operating Expenses  
 Beginning FY 10/11 Reserves Balance

# What are the costs of sewer service?

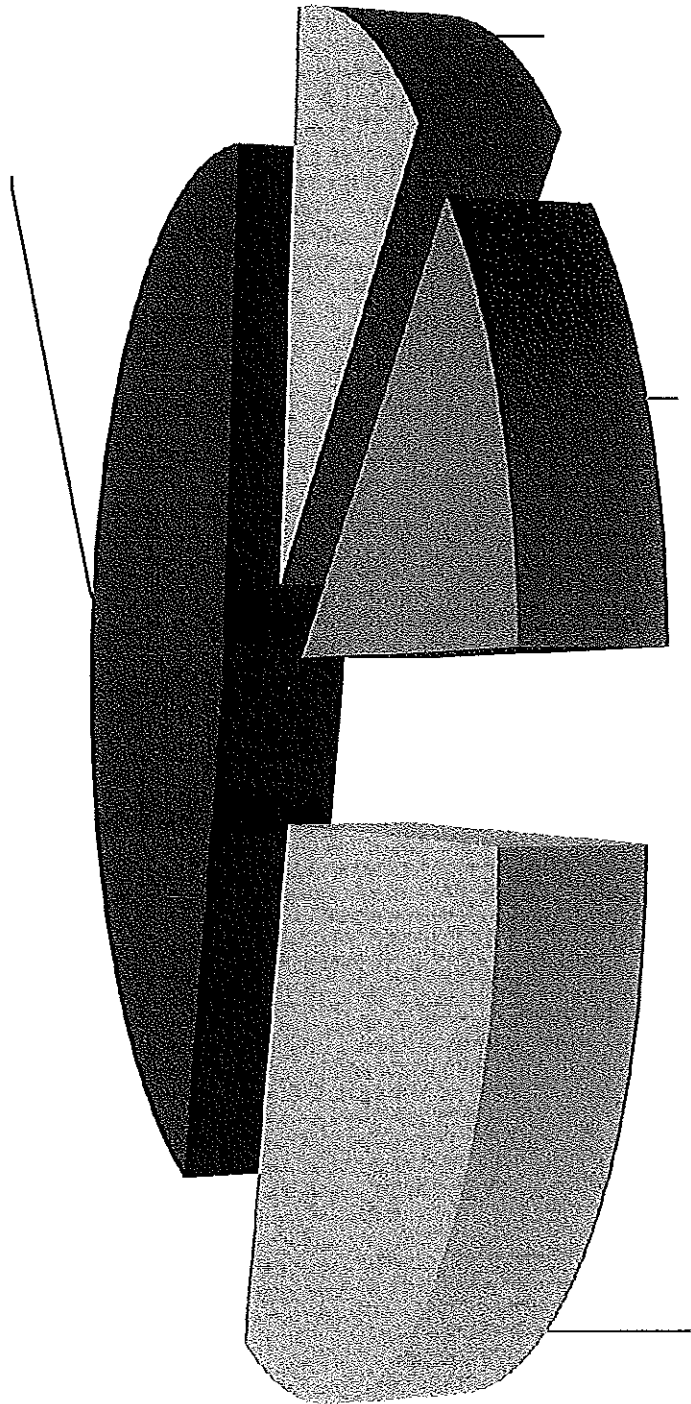


# Projections Using Current Sewer Rates

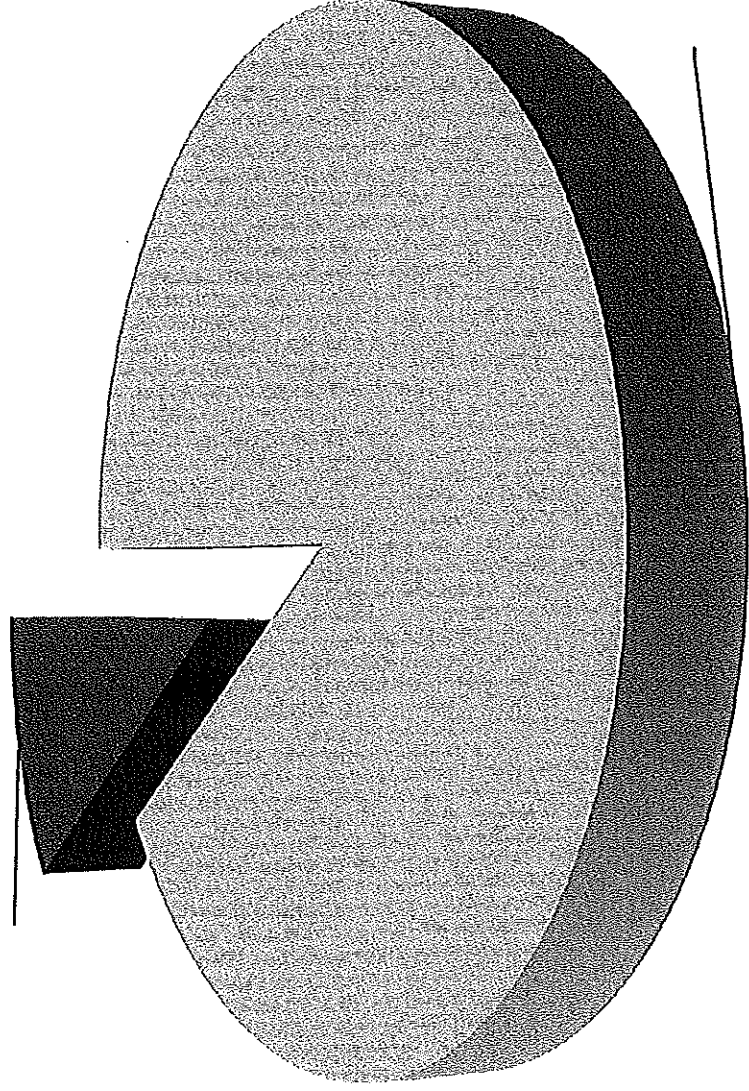


█ Operating Expenses  
█ CIP (Debt Service)  
█ Non-operating Expenses  
— Total Operating Revenue  
↘ Beginning FY 10/11 Fund Balance

# Allocation of Water Rate Revenue Needed



# Allocation of Sewer Rate Revenue Required





# Rate Design

# Current rate structures

- Water
  - Minimum water use allotments based on meter size, e.g. 12,000 gallons/2 months for 5/8" meter
  - Uniform variable/consumption rate (\$3.54/1,000 gal) for all customers
  - Equity and revenue stability issues
  - Little incentive for water conservation
- Sewer
  - Minimum sewer flow allotments based on meter size, e.g. 12,000 gallons/2 months for 5/8" meter
  - Uniform rate (\$4.69/1,000 gal) for all customers
  - Equity and revenue stability issues

# Inclining block rate design goals

- Effective approach to encourage conservation & reduce excessive use
- More equitable fee structure – those who cause the demand, pay for the demand
- Efficient users not penalized
- Gives customer more control of utility bill

# Water rate structure options

Option 1: No minimums, fixed meter charge, uniform consumption rate all customers

- Discounts?
- Monthly or Bi-monthly billing?

Option 2: No minimums, fixed meter charge, 3 rate blocks for Single-family Res, uniform consumption rate for all other customers

- Discounts?
- Monthly or Bi-monthly billing?

# Fixed Meter/Base Charge

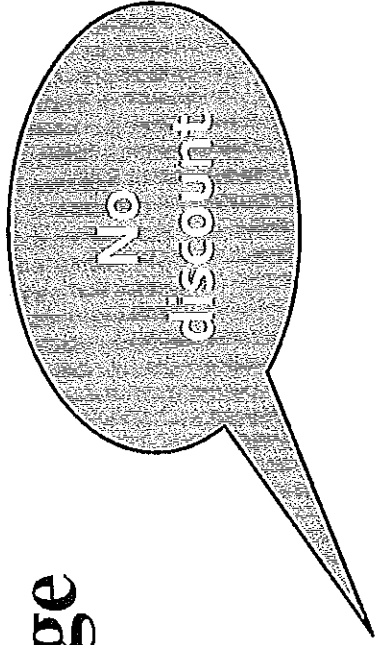
Discount  
Included

**Table 9a: Bi-Monthly Water Base Charge Rates (Discount Included)**

Meter Size	Current	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
5/8"	\$ 42.48	\$ 27.01	\$ 29.17	\$ 30.92	\$ 32.78	\$ 34.41
1"	56.64	39.28	42.43	44.97	47.67	50.05
1 1/2"	84.96	59.74	64.52	68.39	72.49	76.12
2"	127.44	84.29	91.03	96.49	102.28	107.39
3"	283.20	141.56	149.89	162.06	171.78	180.37
4"	566.40	223.38	232.89	255.73	271.07	284.63
6"	849.60	427.94	462.00	489.91	519.30	545.27
8"	1,416.00	673.41	727.28	790.92	817.18	858.04

Pays for fixed costs  
of water utility

# Fixed Meter/Base Charge



**Table 9b: Bi-Monthly Water Base Charge Rates (No Discount Program)**

Meter Size	Current	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
5/8"	\$ 42.48	\$ 26.35	\$ 27.93	\$ 29.60	\$ 31.38	\$ 32.95
1"	56.64	38.32	40.62	43.05	45.64	47.92
1 1/2"	84.96	58.27	61.77	65.47	69.40	72.87
2"	127.44	82.21	87.15	92.37	97.92	102.81
3"	283.20	138.08	146.37	155.15	164.46	172.68
4"	566.40	217.89	230.97	244.82	259.51	272.49
6"	849.60	417.42	442.46	469.01	497.15	522.01
8"	1,416.00	656.85	696.26	738.04	782.32	821.44

# Consumption Charge – Option 1

**Table 10a: Option 1a - Consumption Charge Uniform Block All Customers (Discount Included)**

Cost Data	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Projected Net Annual Consumption (1,000 gal) <sup>2</sup>	319,485	320,284	321,084	321,887	322,692

Reduction (%)	Current	Rate per 1,000 gal
2%	\$ 3.54	\$ 4.14
	\$ 3.88	\$ 4.38
	\$ 4.65	\$ 4.88

Q: What is this reduction?  
 A: "Elasticity"  
 As price goes higher, we cut back a little.

# Consumption Charge – Option 1

**Table 10b: Option 1b - Consumption Charge Uniform Block All Customers (No Discount Program)**

Cost Data	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Projected Net Annual Consumption (1,000 gal) <sup>2</sup>	319,485	320,284	321,084	321,883	322,692
Reduction (%)	Current				
Uniform Rate	\$ 3.54	\$ 3.74	\$ 4.20	\$ 4.45	\$ 4.67
			Rate per 1,000 gal		



# Consumption Charge – Option 2

**Table 11a: Option 2 – Consumption Charge Including Block Residential Customers (Discount Included)**

Description	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
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Projected Net Consumption per Block (1,000 gal) <sup>2</sup>

Indoor Water Use, Block 1 (0 - 12,000 gal)	85,327	85,540	85,754	85,969	86,184
Discretionary Water Use, Block 2 (12,001 - 24,000 gal)	133,010	133,343	133,676	134,010	134,345
Excessive Water Use, Block 3 (above 24,000 gal)	32,625	32,707	32,788	32,870	32,953

	Price Differential	Current	Rate per 1,000 gal
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Block 1 (0 - 12,000 gal)	1.00	3.54	3.54
Block 2 (12,001 - 24,000 gal)	1.14	3.54	4.20
Block 3 (above 24,000 gal)	1.98	3.54	7.30

Block differences based on greater demand factors (peak use)

Block 3 = Excessive Use

# Consumption Charge – Option 2

**Table 11b. Option 2 - Consumption Charge Including Block Apartment, Commercial & Place of Worship Customers  
(Discount Included)**

Description	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Projected Net Annual Consumption (1,000 gal) <sup>2</sup>	67,281	67,449	67,618	67,787	67,956
Uniform Rate	\$ 3.54	\$ 4.05	\$ 4.30	\$ 4.55	\$ 4.78
	Rate per 1,000 gal				

This rate slightly higher than SFR Block 2 rate

# Consumption Charge – Option 2

**Table 11c: Option 2 - Consumption Charge Including Block Residential Customers (No Discount Program)**

Description	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
	Projected Net Consumption per Block (1,000 gal) <sup>2</sup>				
Indoor Water Use, Block 1 (0 - 12,000 gal)	85,327	85,540	85,754	85,969	86,184
Discretionary Water Use, Block 2 (12,001 - 24,000 gal)	133,010	133,343	133,676	134,010	134,345
Excessive Water Use, Block 3 (above 24,000 gal)	32,625	32,707	32,788	32,870	32,953

	Price Differential		Rate per 1,000 gal	
	Differential	Current	Differential	Current
Block 1 (0 - 12,000 gal)	1.00	3.54	3.33	3.74
Block 2 (12,001 - 24,000 gal)	1.14	3.54	4.02	4.26
Block 3 (above 24,000 gal)	1.98	3.54	6.59	7.41

Rates are slightly lower than Discount program rates

# Consumption Charge – Option 2

**Table 11.1 - Option 2 - Consumption Charge Including Block Apartment, Commercial & Place of Worship Customers (No Discount Program)**

Description	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Projected Net Annual Consumption (1,000 gal) <sup>2</sup>	67,281	67,499	67,618	67,787	67,956
Uniform Rate	\$ 3.54	\$ 3.88	\$ 4.11	\$ 4.36	\$ 4.58
	Current Rate per 1,000 gal				

# Sewer rate structure options

Option 1: No minimums, uniform flow rate all customers

- Monthly or Bi-monthly billing?

Option 2: No minimums, fixed account charge, uniform flow rate for all customers

- Monthly or Bi-monthly billing?

# Sewer rate – Option 1

**Table 17: Option 1 Variable Charge Only, All Customers**

Cost Data	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Total Sewer Costs	\$ 1,689,390	\$ 1,829,102	\$ 1,980,369	\$ 2,124,292	\$ 2,257,379
Projected Annual Flow (1,000 gal) <sup>1</sup>	268,415	269,086	269,759	270,433	271,109
	Current	Rate per 1,000 gal			
Uniform Rate	\$ 4.69 \$	6.29 \$	6.80 \$	7.34 \$	7.86 \$
					8.33

# Sewer rate – Option 2, Fixed & Variable

**Table 18: Option 2 - Variable Charge All Customers**

Cost Data	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Sewer Flow Costs	\$1,525,842	\$1,652,030	\$1,788,652	\$1,918,643	\$2,038,846
Projected Annual Flow (1,000 gal) <sup>1</sup>	268,415	269,086	269,759	270,433	271,109
	Current	Rate per 1,000 gal			
Uniform Variable Rate	\$ 4.69	\$ 5.68	\$ 6.14	\$ 6.63	\$ 7.09
					\$ 7.52

# Sewer rate – Option 2, Fixed & Variable

**Table 19: Option 2 - Fixed Charge All Customers**

Cost Data	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Customer Account Costs	\$ 163,547	\$ 177,073	\$ 191,717	\$ 205,650	\$ 218,534
Projected Customers	1,360	1,364	1,367	1,371	1,374
	Current	Rate per 1,000 gal			
Bi-Monthly Fixed Charge	NA	\$ 20.04	\$ 21.64	\$ 23.37	\$ 25.01
		\$	\$	\$	\$
					26.51

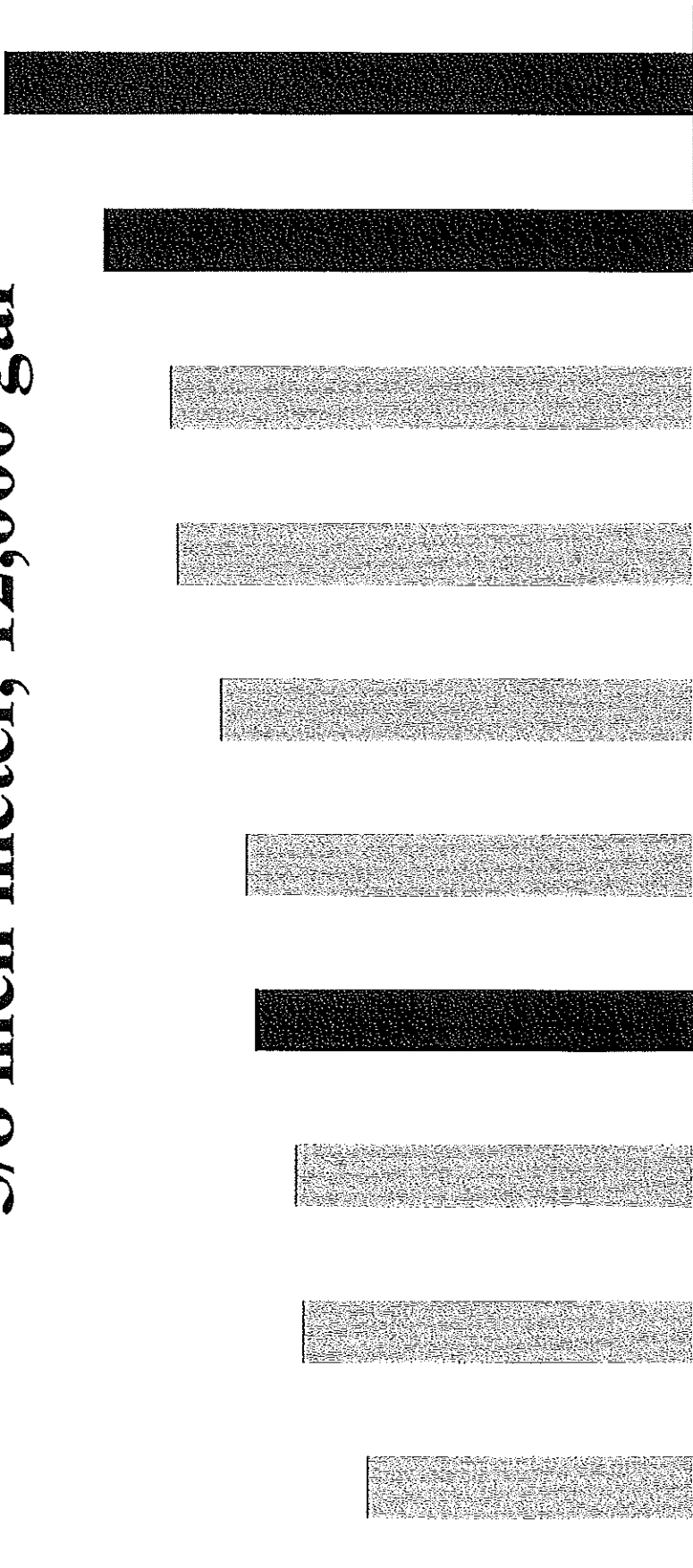


# Comparisons to Other Agencies

# Water Bill: Avg Residential Use, 5/8" meter, 12,000 gal

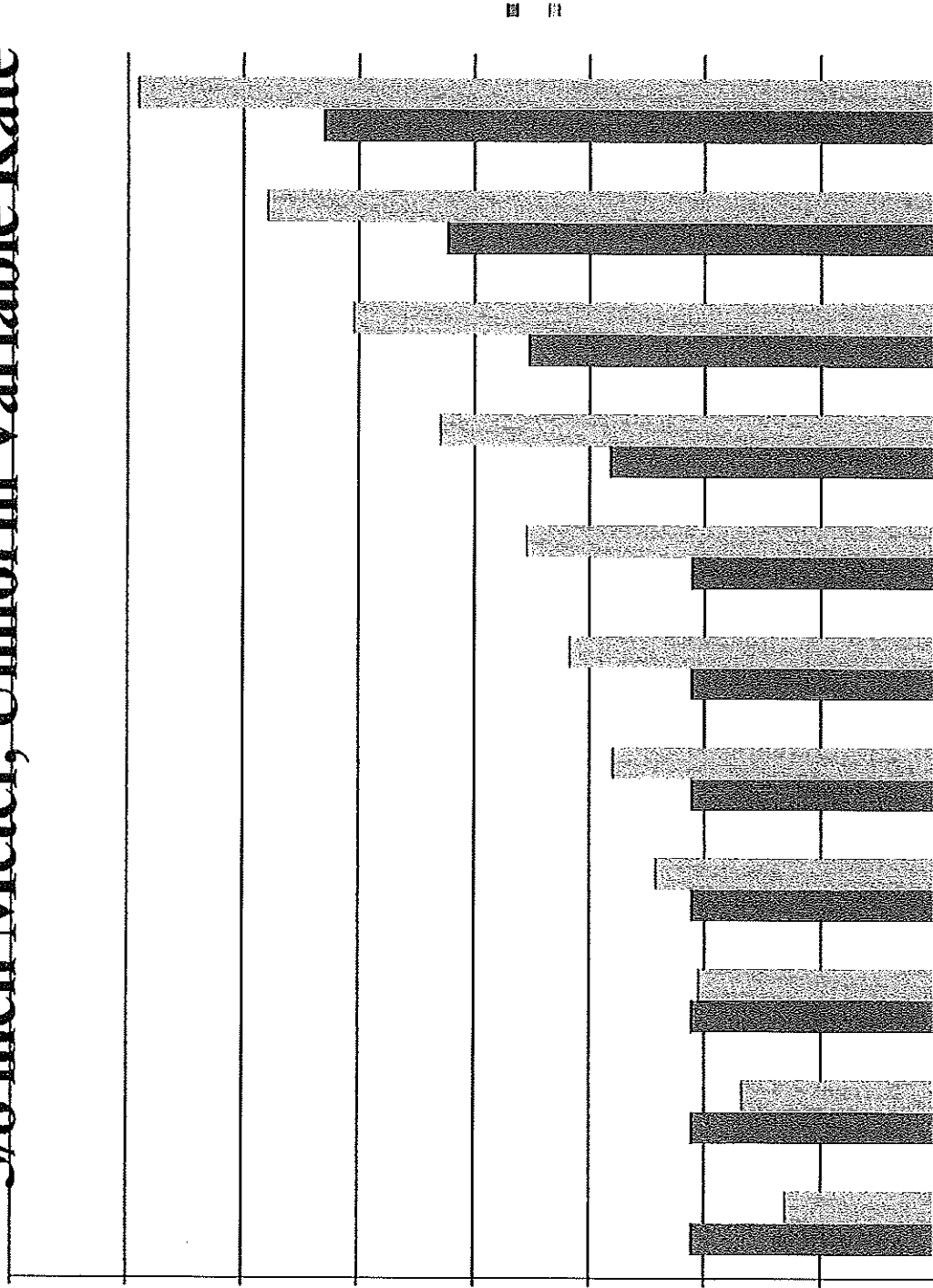


# Sewer Bill – Avg Residential Flow, 5/8 inch meter, 12,000 gal

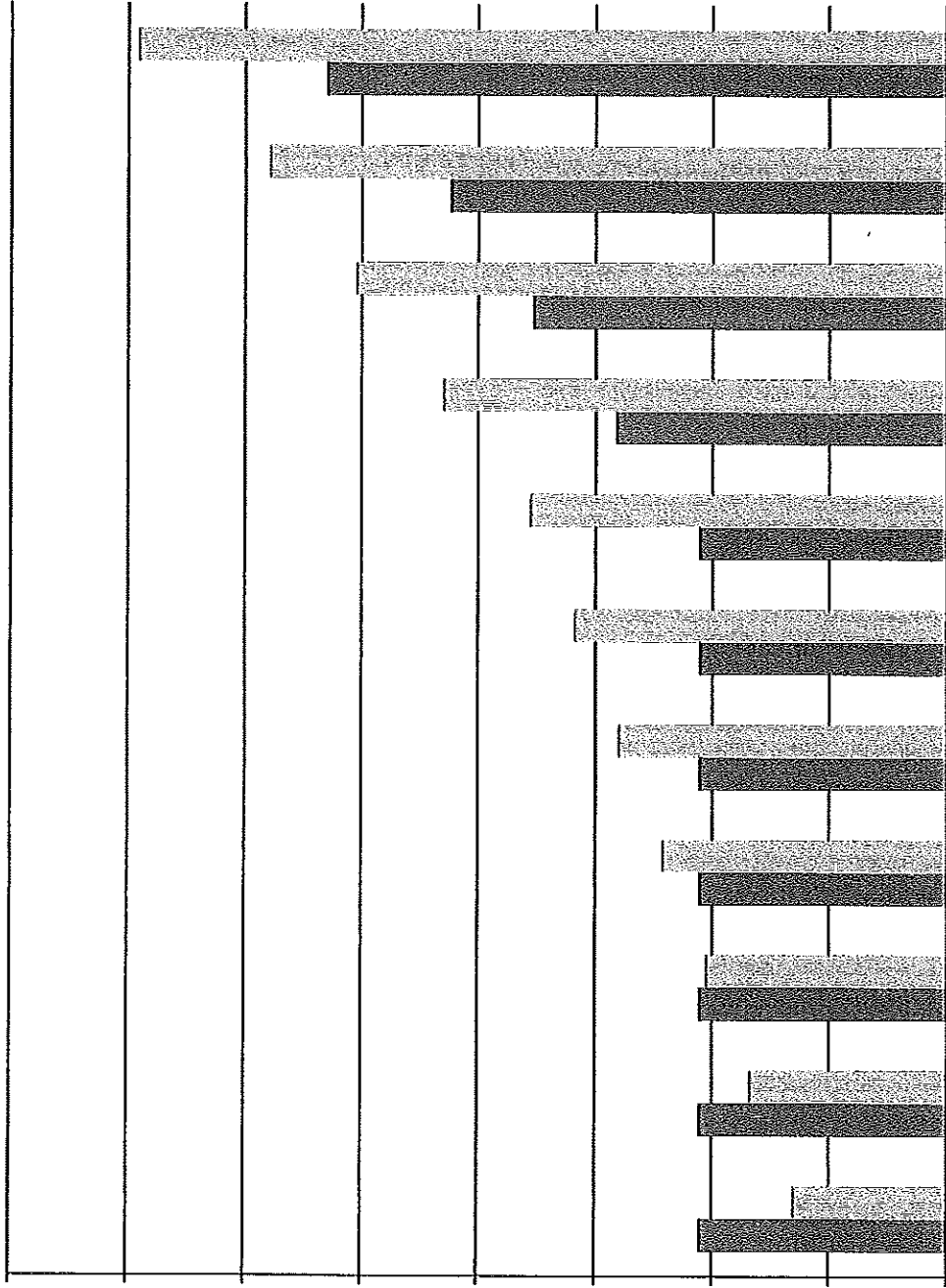


# Surfside Customer Impacts

# Option 1: No Min, No Discount, Residential 5/8 inch Meter, Uniform Variable Rate



# Option 2: No Min, No Discount, Residential 5/8 inch Meter, Inclining Block Rate



# Commission Direction

- Water rates:
  - Option 1 – Uniform rate
  - Option 2 – Conservation rate (inclining block)
- Sewer rates:
  - Option 1 – Variable rate only
  - Option 2 – Fixed and variable rate
- Reserve targets:
  - up to 2x annualized capital project plan
  - up to 10% rate revenues for rate stabilization
  - up to 25% O&M expenses

# Commission Direction

- Minimum consumption charges – Keep or Eliminate
- Discount program – Keep or Eliminate
- Billing cycle – Monthly or Bi-monthly



## Next Steps

- Town Commission Workshop - Tonight
- Community Outreach – Tuesday, 8/3/10
- 1st Public Hearing & Ordinance –  
Tuesday, 8/10/10
- 2nd Public Hearing & Ordinance –  
Tuesday, 9/14/10

# Questions, Answers & Discussion