CITY OF DUBLIN.

Office of the City Manager
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Memo

To: Members of Dublin City Council

From: Dana L. McDaniel, City Manager

Date: October 22, 2015

Initiated By: Angel L. Mumma, Director of Finance

Re: **Ordinance 75-15 - Amending Chapter 51 and 52 Establishing User Fees and Capacity Charges for the Sanitary Sewer and Water Systems**

Summary

A financial review of the City's Water and Sewer Funds was completed as part of the annual update of the City's Capital Improvements Program (CIP). The review included financial projections through 2020 for operating costs, capital improvement projects, and existing and projected debt service obligations. Based on the review and analysis of the operations for both funds, it was determined that adjustments to the user fees in the sewer fund were warranted.

As discussed during the presentation of the overview information at the CIP workshop, the City has established for both the Water and Sewer Funds a target year-end fund balance of 25% of the historical value for each system's capital assets. While the Water Fund year-end balance did not meet the target fund balance, it remains close and is projected to remain between 20% and 22% through 2020.

The Sewer Fund has not met the target fund balance because of the amount of its annual debt service obligations. The Sewer Fund has significant annual debt service obligations as a result of the construction of the Upper Scioto West Branch Interceptor (USWBI). The debt payment for the USWBI is $1,350,725 per year through 2017, with a final payment of $675,560 in 2018. Additional debt was issued in 2009 in the amount of $2.2 million, $2.5 million in 2012, and $2.5 million in 2015 to finance the lining of existing sanitary sewer lines and manhole rehabilitation. Additionally, as part of the 2016 – 2020 CIP, $7.9 million is anticipated to be issued for additional lining of sanitary sewer lines and other sanitary sewer improvements, as well as extensions to unserved areas. While the debt service on the extensions will be funded primarily though transfers from the Capital Improvement Tax Fund and General Fund, the debt service on the maintenance of our existing lines is funded through the user fees generated from the sewer system.

As part of the CIP workshop, an increase in the sewer surcharge was briefly discussed. At that time, the projected fund balance took into account the following:

- Effective 1/1/2016, an increase of $0.25 per 1,000 cubic feet in sewer charges; reallocation of $0.25 per 1,000 cubic feet from water to sewer.

- Effective 1/1/2017, an increase of $0.25 per 1,000 cubic feet in sewer charges; water surcharge is unchanged.

These adjustments are reflected in Ordinance 75-15, scheduled for first reading on October 26, 2015.

Implementation of the recommended user fees for the Columbus Service Area will result in the following rates per 1,000 cubic feet:

	Water *	**Sewer ***	**Total**
Current rate – 2015	$3.30	$11.10	$14.40
2016 change	(0.25)	0.50	0.25
January 1, 2016 Surcharge	$3.05	$11.60	$14.65
2017 change	0.00	.25	0.25
January 1, 2017 Surcharge	$3.05	$11.85	$14.90

*These rates are in addition to rates charged by the City of Columbus.

Based on the average Equivalent Residential Unit (ERU) of 1,100 cubic feet of water usage per month, the average **quarterly** Dublin surcharge costs are estimated as follows:

	Water	**Sewer**	**Total**
Current rate – 2015	$10.89	$36.63	$47.52
January 1, 2016	$10.07	$38.28	$48.35
January 1, 2017	$10.07	$39.11	$49.18

The recommended sanitary sewer system user fee adjustments also apply to the area that is served by Delaware County (Wedgewood Hills, Campden Lakes, and Wedgewood Glen). Delaware County charges a flat rate user charge and the monthly Dublin user charge reflected in the ordinance is based on an ERU of 1,100 cubic feet of water usage per month and the user fee rates per MCF.

	Sewer – Monthly *	**Sewer – Quarterly ***
Current rate – 2015	$12.20	$36.60
January 1, 2016	$12.75	$38.25
January 1, 2017	$13.00	$39.00

*These rates are in addition to rates charged by Delaware County.

The following table displays the estimated fund balance and percentage of system value over the next five years, based on the recommended increase in sewer fees being adopted.

Year-ending December 31	Fund Balance	Percentage of System Value
2015	4,672,585	7.6%
2016	3,501,957	6.0%
2017	2,180,844	4.2%
2018	1,761,387	4.2%
2019	1,927,225	5.1%
2020	2,057,704	6.0%

The rate structures for both the water and sanitary sewer systems will continue to be reviewed as part of the annual CIP process. Based on the need to continually maintain the sanitary sewer lines and potential service expansions, future user fees and capacity charges will continue to be evaluated to determine the need to adjust rates in the future.

Recommendation

Staff recommends adoption of Ordinance 75-15 at the second reading/public hearing on November 2, 2015.

RECORD OF ORDINANCES

Dayton Legal Blank, Inc. Form No. 30043

Ordinance No. 75-15 Passed _____, 20____

AN ORDINANCE AMENDING CHAPTER 51 AND 52 ESTABLISHING USER FEES AND CAPACITY CHARGES FOR THE SANITARY SEWER AND WATER SYSTEMS

WHEREAS, a financial analysis of the City's Water and Sewer Funds is conducted annually as part of the Capital Improvements Program update; and

WHEREAS, the financial analysis is completed to evaluate the water and sewer system rate structure and projected fund balance in the Water and Sewer Funds; and

WHEREAS, the City's goal is to maintain water and sewer rate structures which are adequate to ensure the Water and Sewer Funds (Enterprise Funds) are self-supporting, including the costs of operations, maintenance of the systems, debt service obligations and necessary capital replacements; and

WHEREAS, based on the financial analysis completed as part of the 2016 – 2020 Capital Improvements Program update, it is necessary to amend the fees for the sanitary sewer user fees and capacity charges.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Dublin, State of Ohio, _____ members of the elected officials concurring, that:

Section 1.

Section 51.64 of the Codified Ordinances to be amended to read as follows:

(A) The following rate is the charge for sewer service and use and is based on metered consumption of water for the area of the City served by the City of Columbus:

Rate Per 1,000 Cubic Feet

Effective Date	OM&R	Debt Service	Total
January 1, 2015	$7.54	$3.56	$11.10
January 1, 2016	$6.81	$4.79	$11.60
January 1, 2017	$6.94	$4.91	$11.85

(B) These rates are in addition to the sewer rates charged by the City of Columbus.

(C) The following rate is the charge for sewer service and use for the area of the City serviced by Delaware County:

Flat Rate Per Month

Effective Date	OM&R	Debt Service	Total
January 1, 2015	$8.28	$3.92	$12.20
January 1, 2016	$7.48	$5.27	$12.75
January 1, 2017	$7.62	$5.38	$13.00

(D) These rates are in addition to the sewer rates charged by Delaware County.

(E) Fees received from use of the sewer system shall be deposited in the Sewer Fund and used for the operation and maintenance of the system, including capital improvements and any related debt service.

Section 2.

Section 52.06(A) of the Codified Ordinances be amended to read as follows:

(A) The following rates are charges for water service and use and are based on metered consumption of water:

Rate Per 1,000 Cubic Feet

Effective Date	
January 1, 2015	$3.30
January 1, 2016	$3.05
January 1, 2017	$3.05

Section 3.

This ordinance shall take effect on January 1, 2016 except as otherwise noted for the portions effective January 1, 2017.

Passed this _____ day of _____, 2015

_____
Mayor – Presiding Officer

ATTEST:

_____
Clerk of Council