



**CITY OF BOYNTON BEACH
AGENDA ITEM REQUEST FORM**

<u>Requested City Commission Meeting Dates</u>	<u>Date Final Form Must be Turned in to City Clerk's Office</u>	<u>Requested City Commission Meeting Dates</u>	<u>Date Final Form Must be Turned in to City Clerk's Office</u>
<input type="checkbox"/> December 16, 2008	December 1, 2008 (Noon)	<input type="checkbox"/> February 17, 2009	February 2, 2009 (Noon)
<input type="checkbox"/> January 6, 2009	December 15, 2008 (Noon)	<input checked="" type="checkbox"/> March 3, 2009	February 17, 2009 (Noon)
<input type="checkbox"/> January 20, 2009	January 5, 2009 (Noon)	<input type="checkbox"/> March 17, 2009	March 2, 2009 (Noon)
<input type="checkbox"/> February 3, 2009	January 19, 2009 (Noon)	<input type="checkbox"/> April 7, 2009	March 16, 2009 (Noon)

**NATURE OF
AGENDA ITEM**

- | | |
|--|---|
| <input type="checkbox"/> Announcements/Presentations | <input checked="" type="checkbox"/> City Manager's Report |
| <input type="checkbox"/> Administrative | <input type="checkbox"/> New Business |
| <input type="checkbox"/> Consent Agenda | <input type="checkbox"/> Legal |
| <input type="checkbox"/> Code Compliance & Legal Settlements | <input type="checkbox"/> Unfinished Business |
| <input type="checkbox"/> Public Hearing | <input type="checkbox"/> |

RECOMMENDATION:

Consider alternative rate increases for potable water and wastewater charges, as necessitated due to decreasing water consumption due to regulatory impacts and a decrease in population growth. City staff recommends adoption of Option B via ordinance, to take effect on the first day of the month following second reading.

EXPLANATION:

The attached documentation illustrates four potential rate structures for residential units inside the City, and four potential structures for commercial units inside the City. Residential and business accounts outside of the City would reflect the same structures, with a 25% surcharge imposed.

The four options are based upon the evaluation of two different rate structures, and two assumed scenarios for cost increases over the next five years. These can be expressed as follows:

- **Option A- projecting a 5% annual increase in costs, which will be accommodated by an across the board increase using the current rate structure**
- **Option B - projecting a 5% annual increase in costs, allocated so that 3/4 of the increase is via an increase in the base rate (base facility charge), and the remaining 1/4 of the increase is via an increase in the commodity (flow-based) charge**
- **Option C - projecting a 2.5% annual increase in costs, accommodated by an across the board increase using the current rate structure**
- **Option D - projecting a 2.5% annual increase in costs, allocated so that 3/4 of the increase is via an increase in the base rate (base facility charge), and the remaining 1/4 of the increase is via an increase in the commodity charge**

The attached charts illustrate the actual cost increases, in dollars, for various users.



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Options B and D have the benefit of shifting a greater percentage of the Utility's revenue to the base facility charge. The base facility charge is a fixed fee, charged monthly, that is a reliable means of funding the Utility's fixed costs. As an example of how the Utility's expenses are structured, for FY 2008, 72% of its expenses were due to fixed cost items such as salaries, vehicles, debt service, maintenance, and fees; whereas for the same month only 28% of the costs were related to the amount of water or wastewater treated and pumped. However, for June of 2008, 52% of the Utility's revenue was based upon the base facility charges, and 48% upon flow-based charges. This imbalance between revenues and expenses leaves the Utility fund vulnerable to further regulatory-imposed reductions in usage.

PROGRAM IMPACT:

The City's Utility, like other utilities in the area, has been negatively impacted by the imposition of irrigation restrictions by the South Florida Water Management District, and also by the lack of growth that would normally contribute to the capital facilities and operating revenue funds. The subsequent reduction in revenues has caused the Utility fund to not meet the bond coverage test for this current year. Continued failure to meet this coverage test would effectively prohibit the City from procuring additional loans needed to fund its capital improvement obligations over the next five years.

FISCAL IMPACT:

The recommended rate adjustments shown in option B will generate an additional \$13,157,155 in the subsequent 17-month period (May 2009 through Sept. 2010), which will allow the Utility fund to meet its bond coverage test, and meet all regulatory requirements for staffing and operation.

ALTERNATIVES:

There are no viable alternatives at this time. The Department cannot reduce staff or expenses sufficiently to balance anticipated expenses, without violating state and local requirements for staffing, operation, and maintenance.



Department Head's Signature



City Manager's Signature

Assistant to City Manager 

UTILITIES

Department Name

City Attorney / Finance

- XC: Peter Mazzella (w/attachments)
- Michael Low "
- Barbara Conboy "
- City Attorney "
- File "