



# City of Key West Sewer Charges Study (2022)

July 22, 2021

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# Existing Sewer Rates

| Description                             | Existing Rates |
|---|----------------|
|   |                |
| Base Charge (Residential) per Month     | \$23.57        |
|   |                |
| Commodity Charge<br>(per 1,000 Gallons) | \$4.67         |
|   |                |

**Note:**

The Base Charge is assessed per Base Charge Unit or BCU ( 1 BCU = 3,600 gallons). There is no minimum sewer flow allowance included in the Base Charge.

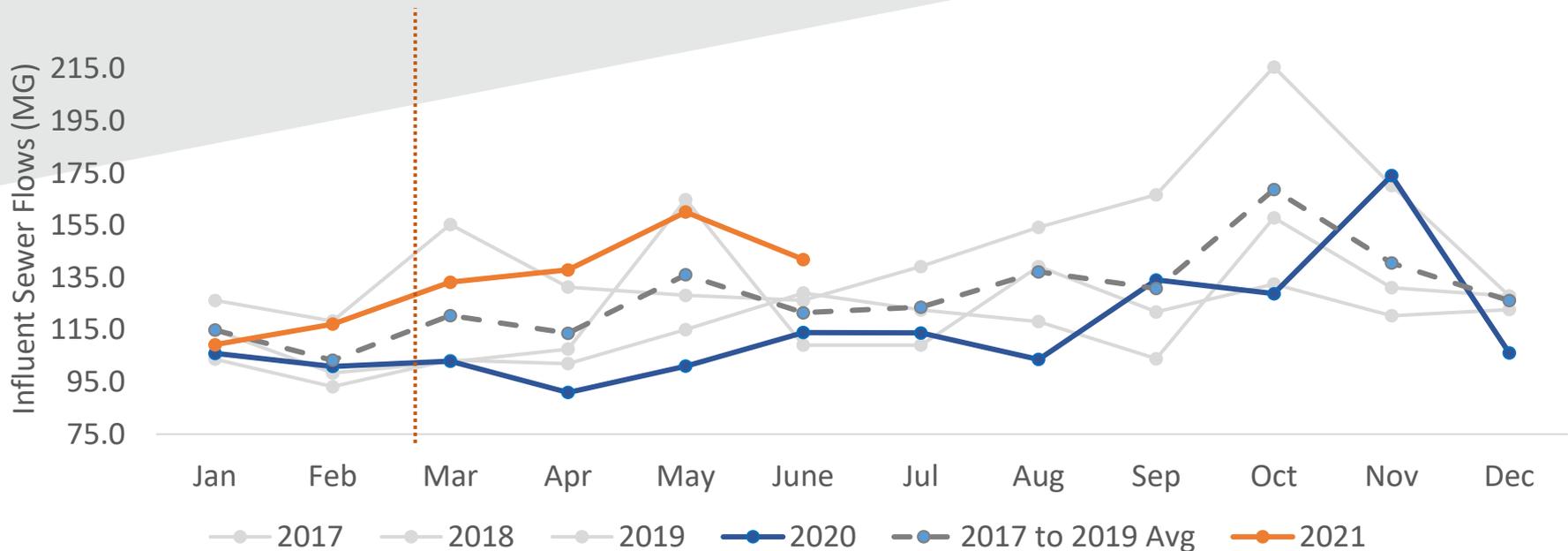


# Rates Support Operation, Maintenance, and Capital Needs of the Sewer System

- Wastewater Treatment Plant
  - › 10 MGD capacity
  - › Contract operator OMI employs approximately 29 staff
- Sewer Collection System
  - › 60 miles of collection pipe
  - › 26 pump stations



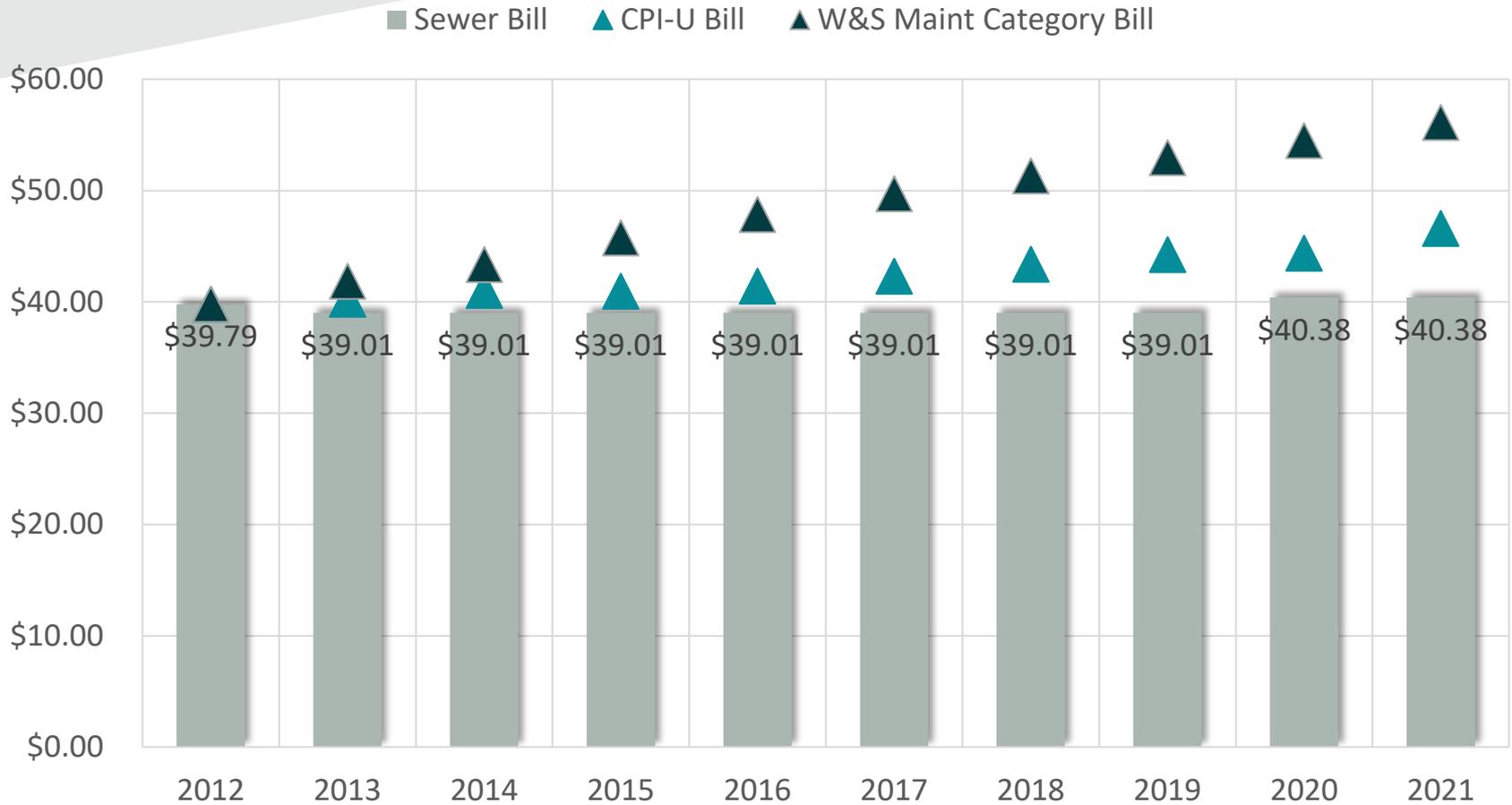
# COVID-19 Impact on Sewer Flows



- Last year, commodity revenues were adjusted down by 10% in FY 2021, as a result of COVID-19.
- However, monthly influent flows to the plant in FY 2021 indicate a 'return to normal' during FY 2022.
- Therefore, no adjustment was made to commodity revenues in FY 2022 to reflect the continued impact of COVID-19.

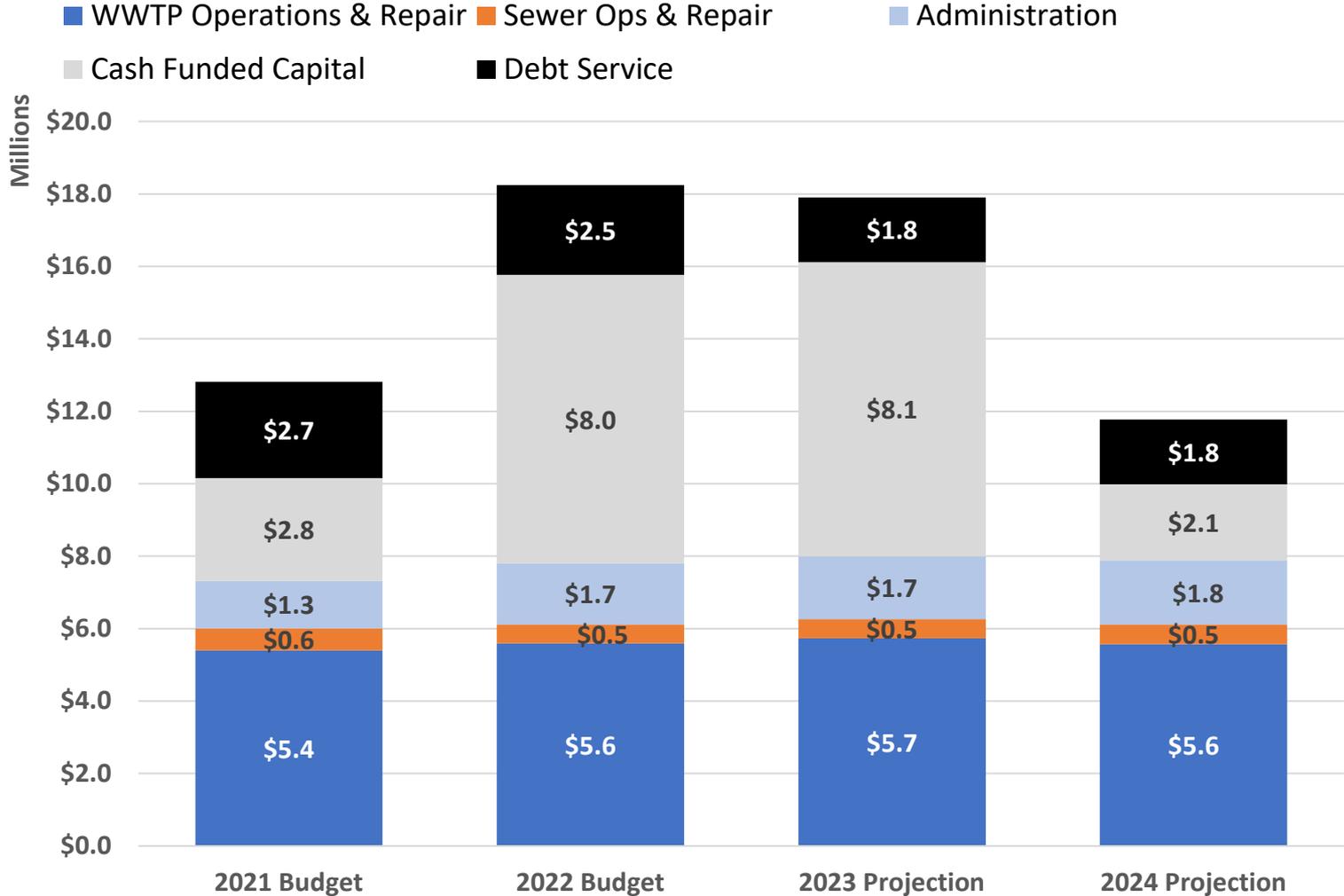


# The Residential Sewer Bill Has Increased at a Rate Below Inflation



Monthly Sewer Bills based on Actual Sewer Rates (1 BCU/month and 3,600 gallons per month)

# Sewer System Revenue Requirements



# Capital Improvement Plan

| Description    | FY 2022            | FY 2023            | FY 2024            | FY 2025            | FY 2026            |
|----------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| WWTP Upgrades  | \$2,608,146        | \$5,500,000        | \$0                | \$0                | \$0                |
| WWTP R&R       | 2,800,000          | 275,000            | 100,000            | 0                  | 0                  |
| Collection R&R | 2,490,944          | 2,350,000          | 2,000,000          | 4,553,551          | 4,553,551          |
| Other          | <u>70,000</u>      | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>0</u>           |
| <b>Total</b>   | <b>\$7,969,090</b> | <b>\$8,125,000</b> | <b>\$2,100,000</b> | <b>\$4,553,551</b> | <b>\$4,553,551</b> |



# Capital Project Highlights



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Fleming Force Main Relocation  
\$1.5 million in FY 2022

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Electrical Main Distrib Upgrade  
\$2.3 million in FY 2022

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Compost Facility Project  
\$5.5 million in FY 2023

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Future Lift Station Repairs  
\$1.5 million / year FY 2024-26

# Financial Plan Objectives

## Maintain

### Maintain ability to fund planned capital projects

- No new debt – Fund with current revenues, cash reserves, grant monies, and payments from U.S. Navy.

## Meet or exceed

### Meet or exceed established financial metrics

- Minimum operating cash target of 90 days
- Minimum debt service coverage target of 1.25x

## Minimize

### Minimize the need for large sewer rate increases

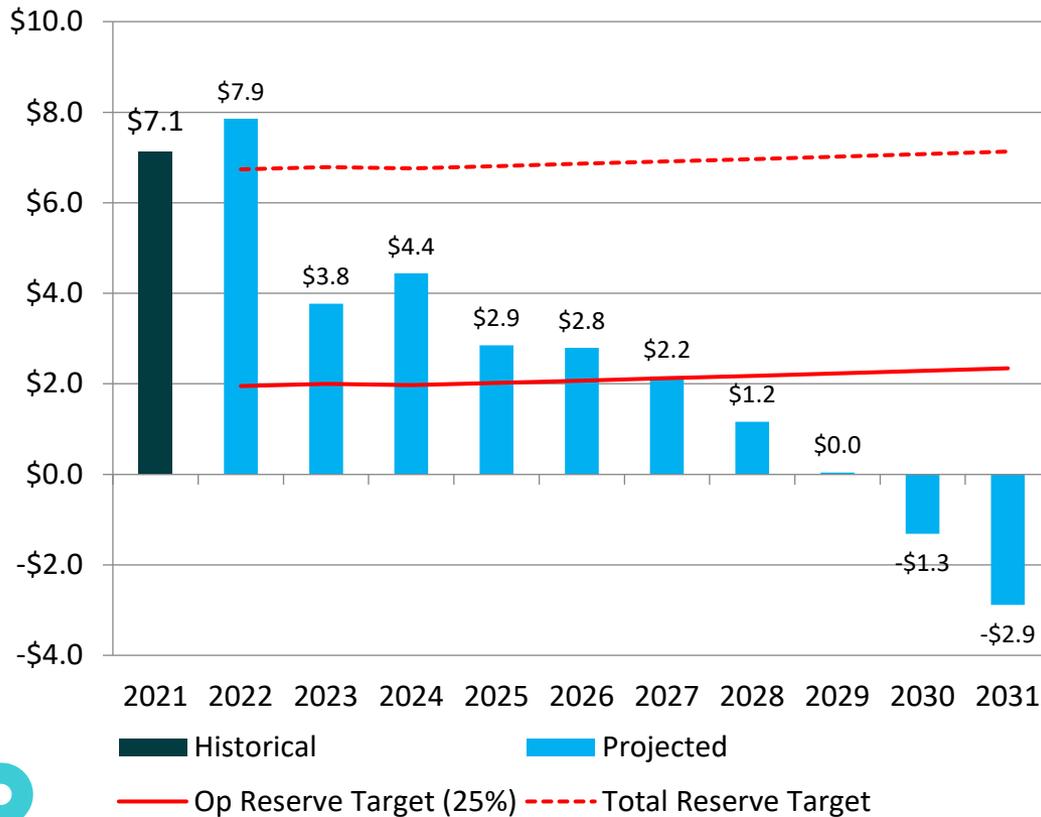
- Implement small inflationary rate increases when necessary



# Financial Impact

## No Changes to Sewer Charges

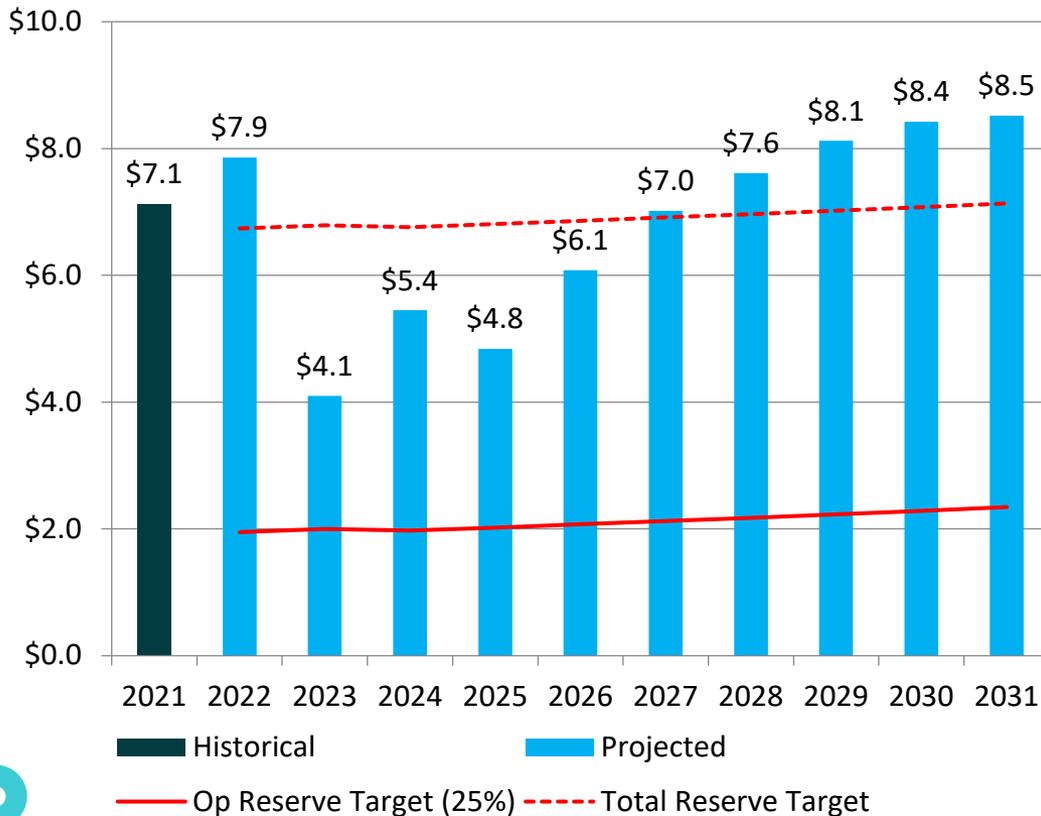
Projected Operating Cash vs. Reserve Target  
(\$ shown in Millions)



| Year | Rate Increase | Base Charge | Commodity Charge | Typical Monthly Bill |
|------|---------------|-------------|------------------|----------------------|
| 2021 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2022 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2023 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2024 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2025 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2026 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2027 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2028 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2029 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2030 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2031 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |

# Recommended Changes to Sewer Charges

Projected Operating Cash vs. Reserve Target  
(\$ shown in Millions)



| Year | Rate Increase | Base Charge | Commodity Charge | Typical Monthly Bill |
|------|---------------|-------------|------------------|----------------------|
| 2021 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2022 | 0.0%          | \$23.57     | \$4.67           | \$40.38              |
| 2023 | 3.0%          | \$24.28     | \$4.81           | \$41.59              |
| 2024 | 3.0%          | \$25.01     | \$4.95           | \$42.84              |
| 2025 | 2.5%          | \$25.63     | \$5.08           | \$43.91              |
| 2026 | 2.5%          | \$26.27     | \$5.21           | \$45.01              |
| 2027 | 2.0%          | \$26.80     | \$5.31           | \$45.91              |
| 2028 | 0.0%          | \$26.80     | \$5.31           | \$45.91              |
| 2029 | 0.0%          | \$26.80     | \$5.31           | \$45.91              |
| 2030 | 0.0%          | \$26.80     | \$5.31           | \$45.91              |
| 2031 | 0.0%          | \$26.80     | \$5.31           | \$45.91              |

# Recommended Sewer Charges Adjustments – Recommended Financial Plan

| Description                                | FY 2021<br>(Existing) | FY 2022<br>(Proposed) | \$ Change | % Change |
|--|-----------------------|-----------------------|-----------|----------|
| Base Charge per<br>BCU/month               | \$23.57               | \$23.57               | \$0.00    | 0.0%     |
| Commodity Charge per<br>1,000 gallons      | <u>\$4.67</u>         | <u>\$4.67</u>         | \$0.00    | 0.0%     |
| Typical Monthly Bill<br>1 BCU / 3,600 gal. | \$40.38               | \$40.38               | \$0.00    | 0.0%     |



# Base Charge Unit (BCU) Analysis

BCU = Amount of billed flow from a typical residential customer.

Unit of measure for the monthly Base Charge

1 BCU = 3,600 gallons per month.

| Fiscal Year    | Flow per BCU (gals.) |
|----------------|----------------------|
| 2015           | 3,684                |
| 2016           | 3,766                |
| 2017           | 3,724                |
| 2018           | 3,820                |
| 2019           | 3,820                |
| 2020           | 3,755                |
| 2021           | 3,602                |
| 3 Year Average | 3,726                |
| 5 Year Average | 3,744                |

No change recommended, but continue to monitor.



# Typical Monthly Residential Sewer Bill Comparison



Based on 1 BCU and 3,600 gallons of billed usage per month



# Q&A

## CONTACT

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# Historical Sewer Charges and Bills

| <b>Fiscal Year</b> | <b>Base Charge per BCU/Mo.</b> | <b>Commodity Charge per 1,000 gal.</b> | <b>Typical Monthly Bill</b> |
|--------------------|--------------------------------|--|-----------------------------|
| 2012               | \$23.23                        | \$4.60                                 | \$39.79                     |
| 2013               | \$22.77                        | \$4.51                                 | \$39.01                     |
| 2014               | \$22.77                        | \$4.51                                 | \$39.01                     |
| 2015               | \$22.77                        | \$4.51                                 | \$39.01                     |
| 2016               | \$22.77                        | \$4.51                                 | \$39.01                     |
| 2017               | \$22.77                        | \$4.51                                 | \$39.01                     |
| 2018               | \$22.77                        | \$4.51                                 | \$39.01                     |
| 2019               | \$22.77                        | \$4.51                                 | \$39.01                     |
| 2020               | \$23.57                        | \$4.67                                 | \$40.38                     |
| 2021               | \$23.57                        | \$4.67                                 | \$40.38                     |

Historical monthly bill amounts calculated based on 1 BCU and 3,600 gallons of billed use.

