



## THE CITY OF KEY WEST

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MEMORANDUM

**TO:** Jim Scholl, City Manager

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

**FROM:** Jay Gewin, Utilities Manager

**DATE:** August 16, 2011

**SUBJECT:** **Authorizing a \$7.68 Equivalent Stormwater Unit (ESU) Rate Component for FY 2012.**

**Action statement:**

This resolution will authorize a 2.4% increase in the average monthly stormwater bill for Key West households to an ESU of \$7.68.

**Background:**

The City Commission establishes the stormwater rates for our residents and businesses each fiscal year. If there is an increase that is equal or less than the Consumer Price Index (CPI), Staff will request that the Commission authorize this new rate via resolution. Since this proposed increase of 2.40% is below the current CPI of 3.5%, this resolution will establish the new ESU rate of \$7.68 for FY 2012.

In order to effectively maintain our stormwater collection system, the City has established a long-term capital improvement and maintenance plan. The City also plans to maintain our current level of staff to maintain our stormwater collection system. Staff recommends that we adjust our rate near the CPI so that we can remain compliant with the City's fund balance reserve policy and keep up with inflationary costs.

**Purpose and Justification:**

In setting the FY 2012 budget, the City plans on accomplishing the following goals:

- Begin construction of the George St. Pump Station and Outfall
- Continue construction of the Patricia/Ashby Pump Station Outfall

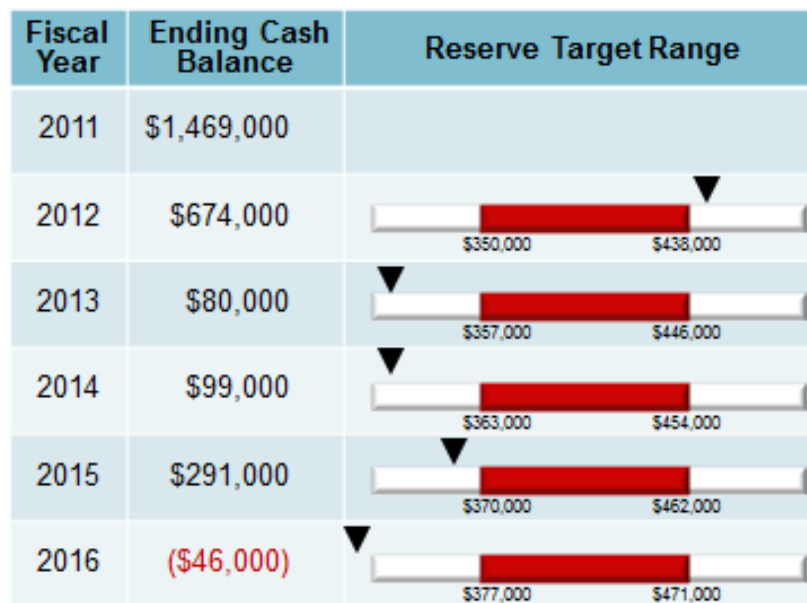
*Key to the Caribbean – Average yearly temperature 77° F.*

- Begin East Front Street Stormwater Design Project
- Begin implementation of Stormwater Master Plan
- Continued staffing of maintenance functions at current levels (OMI) to ensure a safe and effective level of service to maintain our stormwater collection system, safeguard that storm drains and outfalls are regularly cleaned, and that the City’s four stormwater pump-assist wells and generators are always fully operational.

**Options:**

- 1) The City may choose to maintain the stormwater fee at current levels. This option is not recommended by City Staff because it will hinder our ability to continue our stormwater capital improvement plan, and result in the City not being in compliance with our policy for fund reserves. Projected reserve fund balances without any rate adjustments to keep up with CPI increases are shown in the chart below

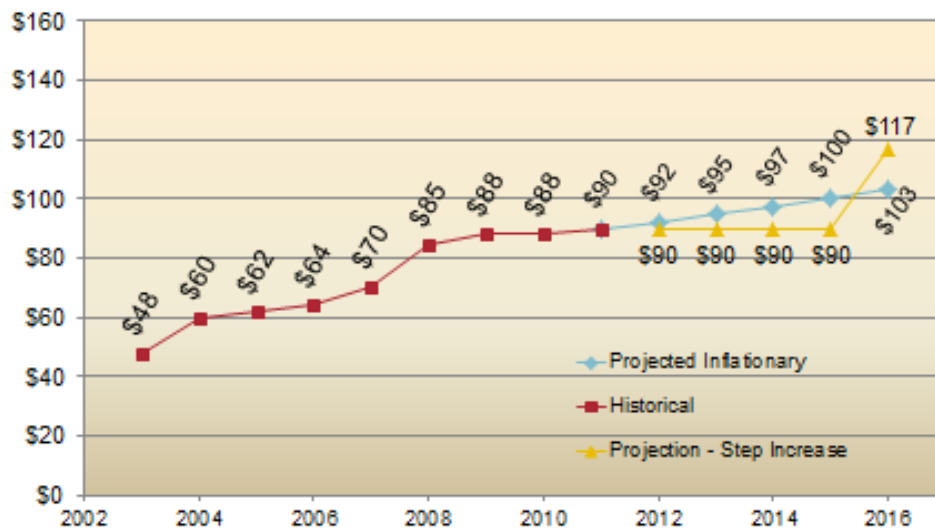
**Projected Cash Balances –  
Without Rate Adjustments**



- 2) The City may choose to provide no increase to the stormwater ESU rate for FY 2012, but plan on increases according to the CPI for future years. This option is not recommended because skipping even one year of CPI increases can have significant impact in future fund balances, which could require a greater increase in future years to maintain reserves at levels according to City policy and to fund capital plan improvements.

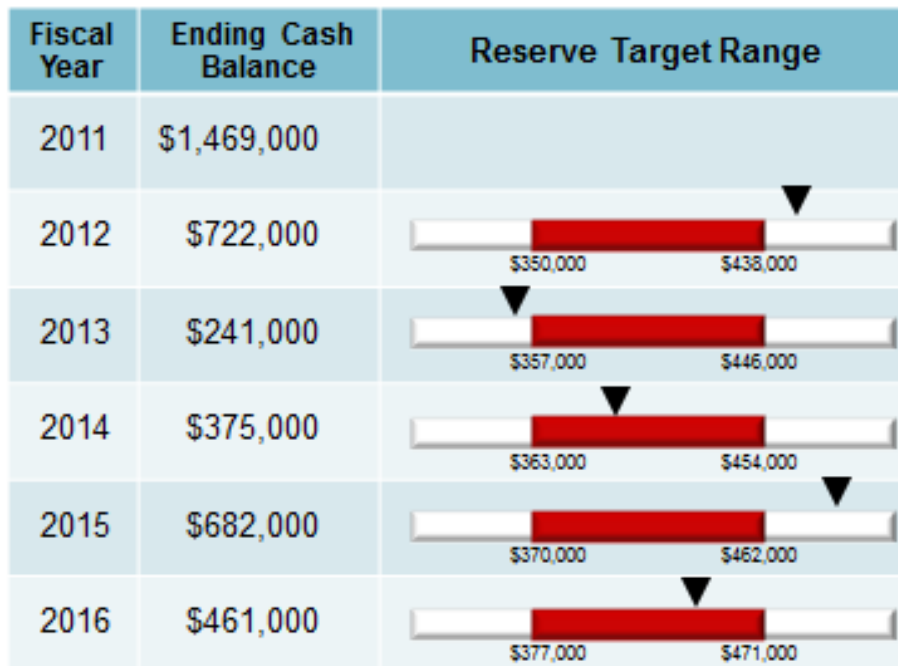
The chart below shows two different models. The light blue line represents the stormwater ESU annual rate being adjusted according to CPI annually in future years. The yellow line represents the annual ESU rate being held flat for four years, before an adjustment would be made to generate the same amount of revenue in 2016. If you held rates consistent for 4 years, you would need to raise rates 30% in 2016 to make up the difference. Gradual CPI increases help avoid a one-time significant increase in cost.

## Stormwater Fees per ESU Historical and Projected



- 3) The City can approve a \$7.68 ESU rate for FY 2012. This would be 2.40% increase over the rate from last year, which is actually below the Consumer Price Index of 3.5%. This option is recommended by City Staff as it would allow us to achieve the Stormwater Utility objectives for FY 2012, continue to keep reserves in compliance with City policy, and enable us to maintain our current level of service for our stormwater collection system. The chart on the next page reflects our fund balances should the City enact rate increases that keep up with the CPI index.

## Projected Cash Balances – With Inflationary Rate Adjustments Years FY12-FY13



11 17 August 2011 © 2011 JRC/DIG

### Financial Impact:

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

	FY 2011 Budget	Proposed FY 2012 Budget	Increase	% Increase
ESU Rate	\$7.50	\$7.68	\$0.18	2.40%

### Recommendation:

Staff recommends option #2, approving a 2.40% ESU increase for the stormwater budget to an ESU of \$7.68 per month. This increase will allow the City to maintain compliance with our reserve fund policy, fund our capital improvements, and allow us to maintain effective operation of our stormwater collection system.