



THE CITY OF KEY WEST

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MEMORANDUM

TO: Patti McLauchlin, City Manager

Cc: Todd Stoughton, Asst. City Manager
Kelly Crowe, Utilities Director

FROM: Matt Willman, Utility Administrator

DATE: August 24, 2022

**SUBJECT: Resolution amending Sewer Rates for FY 2023 pursuant
Section 74-246 of the Code of Ordinances**

Action Statement:

Staff suggests adjusting sewer rates pursuant to **Section 74-246 (a), (b), and (d) - Annual Sewer Rates, Charges and Components**, (a) to amend the base sewer service user charge to \$24.28/BCU (base charge unit), (b) the proportional use charge to \$4.81 per 1,000/gal flow per month, and (d) the flat monthly surcharge to \$9.62.

Background:

City of Key West sewer charges are billed monthly by Florida Keys Aqueduct Authority (FKAA). The FY 2022 rate per Ordinance is currently \$23.57 base charge per user, \$4.67 proportional use charge per 1,000 gallons per user, and \$8.51 Monthly Flat Surcharge. Staff proposes increasing the rates to \$24.28 base charge per user, \$4.81 proportional use charge per 1,000 gallons per user, and the flat monthly surcharge to \$9.62, which represents an increase of 3%.

Ordinance section 74-246 requires a resolution of the City Commission to increase the rate for sewer base and user fees up to 100% of CPI-U, U.S. City Averages as of June, which was 9.1% for June 2022. The City utilizes the expertise of Raftelis Financial Consultants for rate modeling on an annual basis. The information within is derived from the sewer fund rate model for the fiscal year 2023.

A Public Hearing is scheduled for September 20, 2022 @ 5:00pm at City Hall, 1300 White Street. Florida Statute Sec 180.136 requires the utility shall provide notice of the proposed increase to each customer of the utility through the utility's billing process. This has been done by FKAA in the two August billing cycles and will be done in the first cycle in September, along with a notice in the Key West Citizen newspaper advising of said hearing.

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

Purpose and Justification:

In setting the FY 2023 budget, the City plans on accomplishing the following goals:

- Fund our sewer operations for pump stations and the wastewater treatment plant.
- Continue implementation of the capital plan set forth in the rate model presented to the city commission.
- Work toward physical asset and operational resiliency.
- Maintain adequate capital and operational reserves.

City Staff believes that to achieve these goals an increase of 3.0% for the base charge and proportional use fee is required.

Options:

- 1) The City Commission may approve a \$24.28 base charge, \$4.81 user fee, and flat monthly surcharge of \$9.62 for FY 2023 as presented to the commission by staff and the City's rate model consultant.
- 2) The City Commission may choose to maintain the sewer budget at its current level. This option is not recommended by City Staff or our consultants

Financial Impact:

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

| | FY 2022 Budget (current) | Proposed FY 2023 Budget | Increase |
|---------------------------|-----------------------------|----------------------------|-------------------|
| Base Fee | \$23.57(per BCU/Mo) | \$24.28(per BCU/Mo) | +\$0.71/BCU/Mo. |
| User Fee | \$4.67(per 1,000 gal) | \$4.81(per 1,000 gal) | +\$0.14/1,000 gal |
| Flat Monthly Surcharge | \$8.51/Month | \$9.62/Month \$4.81 x 2 | +\$1.11/Month |

Recommendation:

Staff recommends Option #1, amending sewer rates for fy 2023 pursuant to **Section 74-246** (a), (b), and (d) to amend the base user fee from \$23.57 to \$24.28, the proportionate use fee from \$4.67 to \$4.81/1,000 gal, and the flat monthly surcharge fee to \$9.62.