

Regular Workshop – June 21, 2012

Agenda Item 6

Consent Item

- Agenda Item: Proposed Ordinance 2012-17, Pass-Through of Manatee County Wholesale Water and Wastewater Rate Increases
- Presenter: Public Works Director
- Summary: On October 25, 2011, the Manatee County Board of Commissioners enacted Resolution R-11-208 which authorized two consecutive yearly wholesale water and wastewater rate increases. Town Commission direction has been to pass-through Manatee County rate changes to the Town's utility ratepayers, per Town Code. The first Manatee County rate increase was effective on November 1, 2011 and the second will be effective on November 1, 2012. The resulting utility rate increase to Town customers and the proposed Ordinance 2012-17 are presented for review.
- Attachments: Memo, Public Works Director to Town Manager;
Regional Water Rate Comparison Survey;
Proposed Ordinance 2012-17;
PRMG Draft Report, Pass-Through of Manatee County Wholesale Water and Wastewater Rate Increases.
- Recommended
Action: Approval of the Consent Agenda will forward Ordinance 2012-17 to the July 2, 2012 Regular Meeting for first reading.

MEMORANDUM

Date: June 12, 2012

TO: Dave Bullock, Town Manager
FROM: Anne Ross, PE, Town Engineer
THROUGH: Juan Florensa, Public Works Director
SUBJECT: Proposed Rate Pass-Through of Manatee County Wholesale Water and Wastewater Rate Increases

On October 25, 2011, the Manatee County Board of Commissioners enacted Resolution R-11-208 to increase wholesale water and wastewater rates effective on November 1, 2011 and again on November 1, 2012. Chapter 51, Sections 51.11 and 51.21 of the Town Code provides for the ability to pass-through wholesale rate increases from Manatee County to the Town utility ratepayers. In order to maintain a healthy utility system, the Town Commission voted to pass-through the first Manatee County rate increase via Ordinance 2012-01.

Staff has worked with Public Resources Management Group, Inc. (PRMG), the Town's utility rate consultants, to analyze the impact of the wholesale water and wastewater increases. PRMG recommends a minor rate increase to reflect the second Manatee County rate increase that becomes effective on November 1, 2012. The proposed rate revenue increases are 0.9% for water and 1.1% for wastewater (Combined 1.0%). Based on the pass-through calculations as contained in PRMG's report, customers with different usage levels would have different percentage rate increases. The proposed user rate increases are:

- Monthly water service charge 7 cent increase
- Water Usage 4 cent increase per 1,000 gallons
- Monthly wastewater service charge 10 cent increase
- Wastewater Usage 9 cent increase per 1,000 gallons

The Town's rates remain very competitive compared to the surrounding region. Attachment No. 1 presents a bar chart comparing regional water rates as of June 2012. A typical monthly bill increase experienced by a utility customer will be

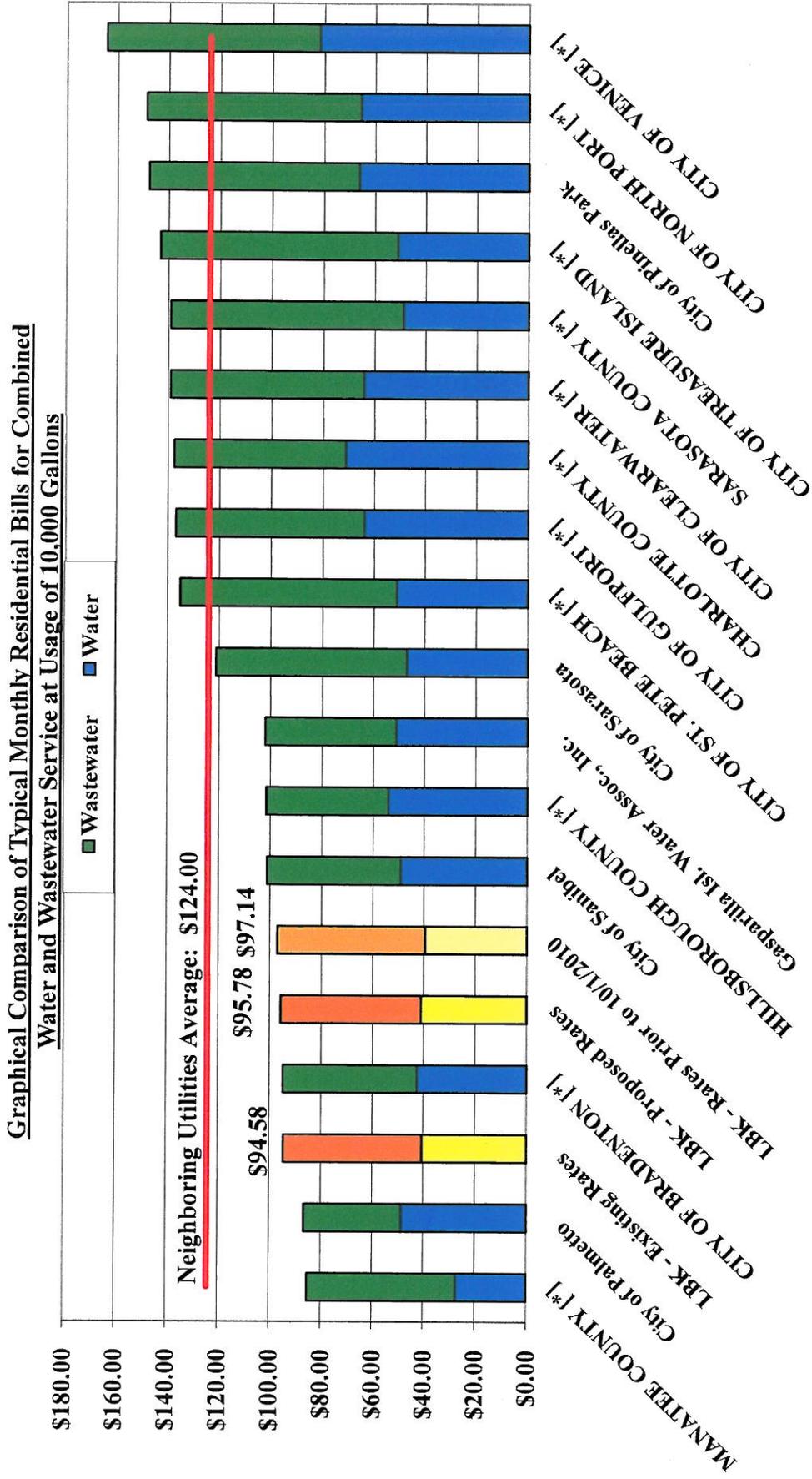
Current Monthly Utility Bill for 10,000 Gallon Usage	Proposed Monthly Utility Bill for 10,000 Gallon Usage	Equivalent Cost Increase
\$94.58	\$95.78	\$1.20

We are presenting this information to you to match the Manatee County effective date of November 1, 2012. We will finalize the rate increase information prior to the first reading of the ordinance. The following table establishes the timeline required for implementation of the Town's rate pass through and notification to utility customers.

Staff has prepared Ordinance 2012-17 (Attachment No. 2) to pass-through the second Manatee County rate increase. A copy of PRMG's draft report is presented as Attachment No. 3. Please contact me if you should have any questions or need additional information.

ATTACHMENT NO. 1

Figure 1
Town of Longboat Key, Florida
Pass-Through of Manatee County Wholesale Water and Wastewater
Rate Increases Effective November 1, 2012



[*] Utilities in CAPITALIZED letters: i) are involved in rate study; ii) are planning to conduct rate study; or iii) will implement rate revision or price index / pass-through adjustment within twelve months

ATTACHMENT NO. 2

ORDINANCE 2012-17

AN ORDINANCE OF THE TOWN OF LONGBOAT KEY, FLORIDA, AMENDING CHAPTER 51, CHARGES, RATES, AND BILLING, APPLYING THE PURCHASE WATER PASS-THROUGH ADJUSTMENT PURSUANT TO SECTION 51.11(B) OF THE CODE OF ORDINANCES FOR THE TOWN OF LONGBOAT KEY, FLORIDA; TO RECOVER FROM THE UTILITY CUSTOMERS OF THE TOWN THE INCREASED COSTS FOR POTABLE WATER IMPOSED BY MANATEE COUNTY, APPLYING THE WASTEWATER PASS-THROUGH ADJUSTMENT PURSUANT TO SECTION 51.21(B) OF THE CODE OF ORDINANCES FOR THE TOWN OF LONGBOAT KEY, FLORIDA; TO RECOVER FROM THE UTILITY CUSTOMERS OF THE TOWN THE INCREASED COSTS FOR WASTEWATER TREATMENT IMPOSED BY MANATEE COUNTY; PROVIDING FOR SEVERABILITY; PROVIDING FOR REPEAL OF ALL ORDINANCES IN CONFLICT HEREWITH; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Town of Longboat Key receives water and wastewater treatment services from Manatee County; and

WHEREAS, Manatee County enacted two consecutive annual wholesale water and wastewater rate increases through Resolution R-11-208 effective November 1, 2011; and,

WHEREAS, the Town Commission wishes to maintain the financial condition of the Utility Fund; and,

WHEREAS, the Town's rate consultant has prepared calculations to change the rate structure charged by the Town in order to pass-through the increased costs from the rate increases enacted by Manatee County; and,

WHEREAS, the Town of Longboat Key, Town Code, Chapter 51, Sections 51.11 and 51.21 provides for such action.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COMMISSION OF LONGBOAT KEY, FLORIDA, THAT:

SECTION 1. The above Whereas clauses are true and correct and are hereby ratified and confirmed.

SECTION 2. Chapter 51, Charges, Rates, and Billing, Section 51.11, Water: Rates and Charges, subsection (A) is amended to read as follows:

51.11 Rates and charges.

Monthly user charges shall include for each potable water account: a) a service charge per equivalent living unit; b) a meter / billing charge per meter; c) a usage charge per metered water use; and d) a purchased water pass-through adjustment usage

charge. The rates for all water used through water meters installed shall be due and payable on a monthly basis, commencing the first day of the month, as follows:

(A) Classes of Service.

(1) Residences, apartments, condominiums, mobile homes, hotel/motel, and seasonal furnished rental apartments.

	<u>Effective</u> <u>2/01/12</u>	<u>Effective</u> <u>11/01/12</u>
(a) Service charge per month per equivalent living unit	\$11.58	<u>\$11.65</u>
(b) Meter/billing charge per month per meter	\$2.49	<u>\$2.49</u>
(c) Usage charge per 1,000 gallons per month per equivalent living unit:		
0 to 5,000 gallons of usage	\$2.19	<u>\$2.23</u>
5,001 to 10,000 gallons of usage	\$3.12	<u>\$3.16</u>
10,001 to 15,000 gallons of usage	\$4.05	<u>\$4.09</u>
15,001 to 25,000 gallons of usage	\$5.90	<u>\$5.94</u>
25,001 to 50,000 gallons of usage	\$7.75	<u>\$7.79</u>
Over 50,000 gallons of usage	\$9.60	<u>\$9.64</u>

(2) Commercial.

	<u>Effective</u> <u>2/01/12</u>	<u>Effective</u> <u>11/01/12</u>
(a) Service charge per month per equivalent living unit	\$11.58	<u>\$11.65</u>
(b) Meter/billing charge per month per meter	\$2.49	<u>\$2.49</u>
(c) Usage charge per 1,000 gallons per month per equivalent living unit:		
0 to 5,000 gallons of usage	\$2.19	<u>\$2.23</u>
5,001 to 10,000 gallons of usage	\$3.12	<u>\$3.16</u>
10,001 to 15,000 gallons of usage	\$4.05	<u>\$4.09</u>
15,001 to 25,000 gallons of usage	\$5.90	<u>\$5.94</u>
25,001 to 50,000 gallons of usage	\$7.75	<u>\$7.79</u>
Over 50,000 gallons of usage	\$9.60	<u>\$9.64</u>

Commercial users shall be classified as to equivalent living units using one unit per 7,000 gallons per month average annual consumption. Combination users, such as a hotel with restaurant, shall be classified by adding to the number of living units the equivalent living units of the restaurant and shops.

(3) Irrigation or Construction Meters.

	<u>Effective</u> <u>2/01/12</u>	<u>Effective</u> <u>11/01/12</u>
(a) Service charge per month per equivalent living unit	\$11.58	<u>\$11.65</u>
(b) Meter/billing charge per month per meter	\$2.49	<u>\$2.49</u>
(c) Usage charge per 1,000 gallons per month per equivalent living unit:		
0 to 5,000 gallons of usage	\$2.19	<u>\$2.23</u>
5,001 to 10,000 gallons of usage	\$3.12	<u>\$3.16</u>
10,001 to 15,000 gallons of usage	\$4.05	<u>\$4.09</u>

15,001 to 25,000 gallons of usage	\$5.90	<u>\$5.94</u>
25,001 to 50,000 gallons of usage	\$7.75	<u>\$7.79</u>
Over 50,000 gallons of usage	\$9.60	<u>\$9.64</u>

SECTION 3. Chapter 51, Charges, Rates, and Billing, Section 51.21, Sewers: Rates and Charges, subsection (A) is amended to read as follows:

51.21 Rates and charges.

Monthly user charges shall include for each wastewater account: a) a service charge per equivalent living unit; and b) a usage charge based on metered water use. The monthly rates and charges for the services and facilities of the Town's wastewater system shall be as follows:

(A) Classes of Service.

(1) Single Family Residences.

	<u>Effective</u> 02/01/12	<u>Effective</u> 11/01/12
(a) Service charge per month per living unit	\$15.60	<u>\$15.70</u>
(b) Usage charge per 1,000 gallons per living unit of water consumption up to a maximum of 7,000 gallons per living unit per month	\$5.48	<u>\$5.57</u>

(2) All Other Classes.

(a) Service charge per month per equivalent living unit	\$15.60	<u>\$15.70</u>
(b) Usage charge per 1,000 gallons per equivalent living unit of water consumption per month	\$5.48	<u>\$5.57</u>
(c) Commercial wastewater users will be classified in the same manner as for water classification.		

SECTION 4. If any section, subsection, sentence, clause or provision of this Ordinance is held invalid, the remainder of the Ordinance shall not be affected.

SECTION 5. All Ordinances, parts of Ordinances, or Rates in conflict herewith shall be and the same are hereby repealed.

SECTION 6. The rates adopted by this Ordinance shall be reflected on the utility bills issued on or after December 1, 2012.

Passed on first reading the _____ day of _____, 2012.

Adopted on second reading and public hearing this ____ day of _____, 2012.

James L. Brown, Mayor

ATTEST:

Trish Granger, Town Clerk

ATTACHMENT NO. 3

TOWN OF LONGBOAT KEY, FLORIDA



Pass-Through of Manatee County Wholesale Water and Wastewater Rate Increases Effective November 1, 2012

June 12, 2012



Public Resources Management Group, Inc.
Utility, Rate, Financial and Management Consultants



Public Resources Management Group, Inc.

Utility, Rate, Financial and Management Consultants

June 12, 2012

Honorable Mayor and Members
of the Town Commission
Town of Longboat Key
501 Bay Isles Road
Longboat Key, Florida 34228-3196

Subject: Pass-Through of Manatee County Wholesale Water and Wastewater Increases Effective November 1, 2012

Public Resources Management Group, Inc. (PRMG) was retained by the Town of Longboat Key (the "Town") to prepare calculations for the water and wastewater system (the "System") of the pass-through adjustment to recover the projected increase in the costs of wholesale service to be incurred by the Town when Manatee County increases its wholesale water and wastewater rates effective on November 1, 2012. The following table shows the existing and new Manatee County wholesale service rates:

Summary of Increases in Manatee County Wholesale Water and Wastewater Rates

	Effective	Effective	Difference	
	November 1, 2011	November 1, 2012	Amount	Percent
Wholesale Water Rates				
Monthly Capacity Charge (\$ / MGD)	\$9,635	\$9,924	\$289	3.0%
Quantity Charge (\$ / kgal)	\$1.55	\$1.59	\$0.04	2.6%
Wholesale Wastewater Rates				
Monthly Capacity Charge (\$ / MGD)	\$14,988	\$15,438	\$450	3.0%
Quantity Charge (\$ / kgal)	\$1.92	\$1.97	\$0.05	2.6%

MGD = million-gallons-per-day

kgal = 1,000 gallons

Manatee County currently supplies all of the Town's potable water and treats all of the Town's wastewater. During the Fiscal Year 2011, the cost of wholesale service represented approximately 54.5% of the System's operating expenses (includes indirect cost reimbursement to General Fund). Because of the magnitude of the level of the wholesale service costs to the total System operating expenses and recognizing that the Town has limited alternatives with respect to water supply and wastewater treatment, the pass-through of any wholesale rate increases helps to maintain operating margins such that the System's capital improvement program (CIP) can continue to be funded and the debt capacity of the System is preserved. The CIP primarily consists of necessary utility plant renewals and replacements to the System that benefit existing customers. The pass-through adjustments also minimize any future large single

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rate adjustments, as the phasing of rate increases minimizes rate shock that may occur with single large adjustments.

The Town Commission of Longboat Key (the "Commission") has historically recognized the importance of passing-through wholesale rate adjustments as part of the financial plan for the System, and has adopted and codified a purchased water and wastewater pass-through adjustment clause in Chapter 51, Sections 11 and 21, respectively, of the Town's Code of Ordinances. Moreover, the pass-through of wholesale rate adjustments has consistently been a recommendation of rate studies performed by PRMG on behalf of the Town.

The wholesale rate increases are considered a permanent and ongoing change to the Town's utility operating costs, and Manatee County is expected to increase the wholesale rates each fiscal year on an ongoing basis during the near-term (e.g., next five fiscal years). As such, PRMG recommends that the Town pass-through the Fiscal Year 2013 Manatee County wholesale rate increases to the System customers to maintain the operating margins and a positive long-term financial position at this time instead of deferring the retail rate adjustments to the future.

Table 1 following this letter contains a summary of the existing and proposed monthly user rates for the Town which reflects the pass-through of the increased wholesale water and wastewater costs. Tables 2 through 4 provide water, wastewater and combined user rate comparisons to illustrate how the existing and proposed rates compare to those of other neighboring utilities. Figure 1 following this letter shows a graphical user rate comparison at a usage of 10,000 gallons, the historical average monthly usage of a single family residential customer in the System. Following these tables and figures is a discussion of the methodology used in developing the pass-through reflected in the proposed user rates. Based on discussions with Town staff, it is proposed that the pass-through rates recover the fixed component (i.e., monthly capacity charges) of the Manatee County wholesale rate increases through the Town's monthly service charges per unit and the volumetric component of the wholesale rate increases through the utility's usage charges per 1,000 gallons.

Effective October 1, 2010, the Town's water rates were decreased uniformly by 1.5% and the wastewater rates were reduced by 10.5% (combined = 6.5%). Since that time, the Town Commission has passed-through Manatee County wholesale rate increases twice. The existing water and wastewater monthly user rates for the Town were established pursuant to Ordinance 2012-01 approved by the Town Commission on January 9, 2012 and became effective for bills rendered on or after March 1, 2012.

As set forth herein, the pass-through rates proposed to become effective November 1, 2012 are anticipated to increase the utility's water revenue by 0.9% and the wastewater revenue by 1.1% above revenues estimated to be collected under the rates stated in the Rate Ordinance (combined = 1.0%).

Honorable Mayor and Members
of the Town Commission
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Even with the pass-through rate adjustments, the Town's retail water and wastewater rates remain competitive with those of neighboring Florida utilities. As shown in Figure 1, the combined monthly residential water and wastewater bill of \$95.78 at a usage of 10,000 gallons would be \$28.22 or about 23% less than the \$124.00 average of the surveyed utilities (as of June 2012). Additionally, when compared with the Town's rates prior to the rate decrease on October 1, 2010, the proposed rates are still \$1.36 or 1.4% lower than the rates prior to such adjustment at a usage of 10,000 gallons.

We appreciate the opportunity to be of service to the Town and would like to thank the Town staff for their assistance and cooperation during the course of this study.

Respectfully submitted,

Public Resources Management Group, Inc.

Robert J. Ori
President

Bryan A. Mantz
Supervising Consultant

Table 1

Town of Longboat Key, Florida
Pass-Through of Manatee County Wholesale Water and Wastewater Rate Increases Effective November 1, 2012

Summary of Existing and Proposed Monthly Water and Wastewater Rates

	Existing Rates Effective March 1, 2012	Calculated Pass-Through Adjustment	Proposed Rates to Become Effective November 1, 2012
WATER RATES			
Service Charge Per Month Per Equivalent Living Unit (ELU) - All Classes [1]	\$ 11.58	\$ 0.07	\$ 11.65
Meter / Billing Charge Per Month Per Meter - All Classes	\$ 2.49	\$ 0.00	\$ 2.49
<u>Monthly Usage Charges Per ELU - Proposed - All Classes</u>	<u>Charge Per 1,000 Gallons</u>	<u>Charge Per 1,000 Gallons</u>	<u>Charge Per 1,000 Gallons</u>
0 to 5,000 Gallons	\$ 2.19	\$ 0.04	\$ 2.23
5,001 to 10,000 Gallons	3.12	0.04	3.16
10,001 to 15,000 Gallons	4.05	0.04	4.09
15,001 to 25,000 Gallons	5.90	0.04	5.94
25,001 to 50,000 Gallons	7.75	0.04	7.79
Over 50,000 Gallons	9.60	0.04	9.64
WASTEWATER RATES			
Service Charge Per Month Per Equivalent Living Unit	\$ 15.60	\$ 0.10	\$ 15.70
<u>Monthly Usage Charges Per ELU - Proposed - All Classes</u>	<u>Charge Per 1,000 Gallons</u>	<u>Charge Per 1,000 Gallons</u>	<u>Charge Per 1,000 Gallons</u>
All Usage [2]	\$ 5.48	\$ 0.09	\$ 5.57

Footnotes:

[1] An equivalent living unit (ELU) is defined in Section 51.02 of the Town's Code of Ordinances, and is a measure of a customer's demand requirements. One ELU is defined as: (i) each single-family dwelling; (ii) each single apartment or condominium; (iii) each single efficiency apartment or mobile home; (iv) each individual dwelling within a duplex; and (v) each single hotel or motel unit. A customer classified as 2.0 ELU's is considered to have twice the demand requirements as a customer classified as 1.0 ELU.

[2] The charges for wastewater service for the single family residential class under both the existing and the proposed rates are capped at 7,000 gallons per ELU. Billing for wastewater service for all other classes has no monthly maximum billing threshold.

Table 2
Town of Longboat Key, Florida
Pass-Through of Manatee County Wholesale Water and Wastewater Rate Increases Effective November 1, 2012
Comparison of Typical Monthly Residential Bills for Water Service [1]

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter									
		0 Gallons	2,000 Gallons	5,000 Gallons	7,000 Gallons	8,000 Gallons	10,000 Gallons	15,000 Gallons	25,000 Gallons	50,000 Gallons	
Town of Longboat Key											
1	Rates Prior to 10/1/2010 [2]	\$14.10	\$18.24	\$24.45	\$30.47	\$33.48	\$39.50	\$59.25	\$117.55	\$310.30	
2	Existing Rates - Effective 3/1/2012 [3]	\$14.07	\$18.45	\$25.02	\$31.26	\$34.38	\$40.62	\$60.87	\$119.87	\$313.62	
3	Proposed Rates - Effective 11/1/2012 [4]	14.14	18.60	25.29	31.61	34.77	41.09	61.54	120.94	315.69	
4	Difference	0.07	0.15	0.27	0.35	0.39	0.47	0.67	1.07	2.07	
Other Florida Utilities:											
5	City of Bradenton [5]	\$13.17	\$17.31	\$26.00	\$32.62	\$35.93	\$42.55	\$59.10	\$92.20	\$174.95	
6	Charlotte County [5]	21.77	31.11	45.12	55.16	60.53	71.27	103.72	179.79	400.37	
7	City of Clearwater [5]	16.30	16.30	29.50	42.70	49.30	64.23	105.88	189.18	397.43	
8	Gasparilla Island Water Association, Inc	25.60	25.60	25.60	35.82	40.93	51.15	76.70	140.70	332.70	
9	City of Gulfport [5]	11.04	11.04	29.04	43.02	50.01	63.99	102.54	187.04	398.29	
10	Hillsborough County [5]	12.18	19.38	30.18	39.78	44.58	54.18	78.18	138.78	321.48	
11	Manatee County [5]	7.50	11.12	16.55	20.62	22.88	27.40	38.70	106.60	310.35	
12	City of North Port [5]	16.30	23.26	35.44	45.88	51.10	65.72	109.62	256.60	692.10	
13	City of Palmetto	6.20	13.92	26.38	34.98	39.28	48.72	78.68	153.98	342.23	
14	City of Pinellas Park	19.62	19.62	32.70	45.78	52.32	66.26	103.16	187.06	403.06	
15	City of St. Pete Beach [5] [6]	3.35	12.91	27.25	36.81	41.59	51.15	75.05	122.85	242.35	
16	City of Sanibel	13.00	19.60	29.50	37.40	41.35	49.25	72.25	128.00	291.75	
17	City of Sarasota	13.76	19.32	28.15	34.69	37.96	47.12	76.86	149.25	415.50	
18	Sarasota County [5]	16.07	20.95	28.91	35.07	38.15	48.81	85.93	198.63	506.63	
19	City of Treasure Island [5] [6]	3.35	12.91	27.25	36.81	41.59	51.15	75.05	122.85	242.35	
20	City of Venice [5]	18.15	26.01	44.13	59.23	66.78	81.88	129.08	223.48	459.48	
21	Other Florida Utilities' Average	\$13.59	\$18.77	\$30.11	\$39.77	\$44.64	\$55.30	\$85.66	\$161.06	\$370.69	

Footnotes:

- [1] Unless otherwise noted, amounts shown reflect residential rates in effect June 2012 are exclusive of taxes, franchise fees or water restriction surcharges, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.
- [2] Reflects rates in effect prior to rate reduction approved by the Commission effective October 1, 2010; shown for informational purposes.
- [3] Reflects rates in effect as of the date of the report pursuant to the Rate Ordinance.
- [4] Reflects rates recognizing the wholesale rate pass-through adjustment.
- [5] Utility is currently involved in a rate study, is planning to conduct a rate study, or will implement a rate revision within the next twelve months.
- [6] Utility receives water service from Pinellas County.

Table 3
Town of Longboat Key, Florida
Pass-Through of Manatee County Wholesale Water and Wastewater Rate Increases Effective November 1, 2012
Comparison of Typical Monthly Residential Bills for Wastewater Service [1]

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter									
		0 Gallons	2,000 Gallons	5,000 Gallons	7,000 Gallons	8,000 Gallons	10,000 Gallons	15,000 Gallons	25,000 Gallons	50,000 Gallons	
Town of Longboat Key											
1	Rates Prior to 10/1/2010 [2]	\$17.11	\$28.69	\$46.06	\$57.64	\$57.64	\$57.64	\$57.64	\$57.64	\$57.64	\$57.64
2	Existing Rates - Effective 3/1/2012 [3]	\$15.60	\$26.56	\$43.00	\$53.96	\$53.96	\$53.96	\$53.96	\$53.96	\$53.96	\$53.96
3	Proposed Rates - Effective 11/1/2012 [4]	15.70	26.84	43.55	54.69	54.69	54.69	54.69	54.69	54.69	54.69
4	Difference	0.10	0.28	0.55	0.73	0.73	0.73	0.73	0.73	0.73	0.73
Other Florida Utilities:											
5	City of Bradenton [5]	\$19.47	\$23.01	\$32.62	\$40.46	\$44.38	\$52.22	\$71.82	\$111.02	\$209.02	\$209.02
6	Charlotte County [5]	27.70	35.42	47.00	54.72	58.58	66.30	66.30	66.30	66.30	66.30
7	City of Clearwater [5]	22.44	22.44	37.40	52.36	59.84	74.80	112.20	187.00	374.00	374.00
8	Gasparilla Island Water Association, Inc	25.72	25.72	25.72	35.76	40.78	50.82	50.82	50.82	50.82	50.82
9	City of Gulfport [5] [6]	13.72	13.72	35.02	50.16	57.73	72.87	112.62	195.72	403.47	403.47
10	Hillsborough County [5]	13.28	21.82	34.63	43.17	47.44	47.44	47.44	47.44	47.44	47.44
11	Manatee County [5]	17.90	25.90	37.90	45.90	49.90	57.90	57.90	57.90	57.90	57.90
12	City of North Port [5]	26.12	37.48	54.52	65.88	71.56	82.92	94.28	94.28	94.28	94.28
13	City of Palmetto	11.89	16.71	24.48	29.84	32.52	37.88	43.24	43.24	43.24	43.24
14	City of Pinellas Park [6]	24.39	24.39	40.65	56.91	65.04	81.30	121.95	203.25	406.50	406.50
15	City of St. Pete Beach [5] [6]	25.36	25.36	42.10	58.84	67.21	83.95	125.80	209.50	418.75	418.75
16	City of Sanibel	51.94	51.94	51.94	51.94	51.94	51.94	51.94	51.94	51.94	51.94
17	City of Sarasota	18.93	29.95	46.48	57.50	63.01	74.03	104.52	162.93	162.93	162.93
18	Sarasota County [5]	14.89	29.97	52.59	67.67	75.21	90.29	90.29	90.29	90.29	90.29
19	City of Treasure Island [5] [6]	12.81	26.70	51.18	67.50	75.66	91.98	132.78	214.38	418.38	418.38
20	City of Venice	20.57	32.95	51.52	63.90	70.09	82.47	113.42	175.32	330.07	330.07
21	Other Florida Utilities Average	\$21.70	\$27.72	\$41.61	\$52.66	\$58.18	\$68.69	\$87.33	\$122.58	\$201.58	\$201.58

Footnotes:

- [1] Unless otherwise noted, amounts shown reflect residential rates in effect June 2012 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.
- [2] Reflects rates in effect prior to rate reduction approved by the Commission effective October 1, 2010; shown for informational purposes.
- [3] Reflects rates in effect as of the date of the report pursuant to the Rate Ordinance.
- [4] Reflects rates recognizing the wholesale rate pass-through adjustment.
- [5] Utility is currently involved in a rate study, is planning to conduct a rate study, or will implement a rate revision within the next twelve months.
- [6] Utility receives wastewater service from the City of St. Petersburg.

Table 4

Town of Longboat Key, Florida
Pass-Through of Manatee County Wholesale Water and Wastewater Rate Increases Effective November 1, 2012
Comparison of Typical Monthly Residential Bills for Combined Water and Wastewater Service II

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter										
		0 Gallons	2,000 Gallons	5,000 Gallons	7,000 Gallons	8,000 Gallons	10,000 Gallons	15,000 Gallons	25,000 Gallons	50,000 Gallons		
Town of Longboat Key												
1	Rates Prior to 10/1/2010 [2]	\$31.21	\$46.93	\$70.51	\$88.11	\$91.12	\$97.14	\$116.89	\$175.19	\$367.94		
2	Existing Rates - Effective 3/1/2012 [3]	\$29.67	\$45.01	\$68.02	\$85.22	\$88.34	\$94.58	\$114.83	\$173.83	\$367.58		
3	Proposed Rates - Effective 11/1/2012 [4]	29.84	45.44	68.84	86.30	89.46	95.78	116.23	175.63	370.38		
4	Difference	0.17	0.43	0.82	1.08	1.12	1.20	1.40	1.80	2.80		
Other Florida Utilities:												
5	City of Bradenton [5]	\$32.64	\$40.32	\$58.62	\$73.08	\$80.31	\$94.77	\$130.92	\$203.22	\$383.97		
6	Charlotte County [5]	49.47	66.53	92.12	109.88	119.11	137.57	170.02	246.09	466.67		
7	City of Clearwater [5]	38.74	38.74	66.90	95.06	109.14	139.03	218.08	376.18	771.43		
8	Gasparilla Island Water Association, Inc	51.32	51.32	51.32	71.58	81.71	101.97	127.52	191.52	383.52		
9	City of Gulfport [5] [6]	24.76	24.76	64.06	93.18	107.74	136.86	215.16	382.76	801.76		
10	Hillsborough County [5]	25.46	41.20	64.81	82.95	92.02	101.62	125.62	186.22	368.92		
11	Manatee County [5]	25.40	37.02	54.45	66.52	72.78	85.30	96.60	164.50	368.25		
12	City of North Port [5]	42.42	60.74	89.96	111.76	122.66	148.64	203.90	350.88	786.38		
13	City of Palmetto	18.09	30.63	50.86	64.82	71.80	86.60	121.92	197.22	385.47		
14	City of Pinellas Park [6]	44.01	44.01	73.35	102.69	117.36	147.56	225.11	390.31	809.56		
15	City of St. Pete Beach [5] [7]	28.71	38.27	69.35	95.65	108.80	135.10	200.85	332.35	661.10		
16	City of Sanibel	64.94	71.54	81.44	89.34	93.29	101.19	124.19	179.94	343.69		
17	City of Sarasota	32.69	49.27	74.63	92.19	100.97	121.15	181.38	312.18	578.43		
18	Sarasota County [5]	30.96	50.92	81.50	102.74	113.36	139.10	176.22	288.92	596.92		
19	City of Treasure Island [5] [7]	16.16	39.61	78.43	104.31	117.25	143.13	207.83	337.23	660.73		
20	City of Venice [5]	38.72	58.96	95.65	123.13	136.87	164.35	242.50	398.80	789.55		
21	Other Florida Utilities' Average	\$35.28	\$46.49	\$71.72	\$92.43	\$102.82	\$124.00	\$172.99	\$283.65	\$572.27		

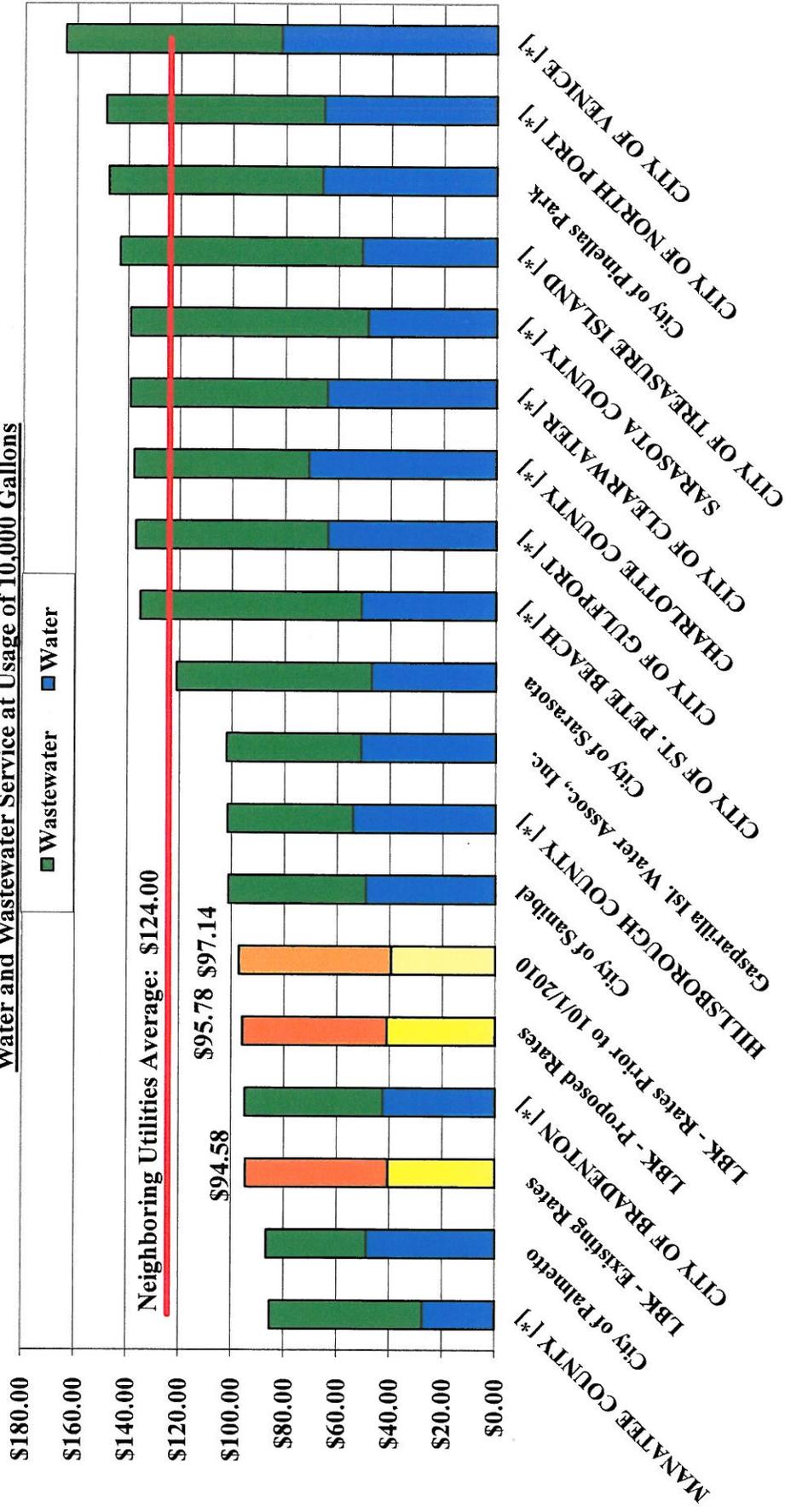
Footnotes:

- [1] Unless otherwise noted, amounts shown reflect residential rates in effect June 2012, are exclusive of taxes, franchise fees or water restriction surcharges, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.
- [2] Reflects rates in effect prior to rate reduction approved by the Commission effective October 1, 2010; shown for informational purposes.
- [3] Reflects rates in effect as of the date of the report pursuant to the Rate Ordinance.
- [4] Reflects rates recognizing the wholesale rate pass-through adjustment.
- [5] Utility is currently involved in a rate study, is planning to conduct a rate study, or will implement a rate revision within the next twelve months.
- [6] Utility receives wastewater service from the City of St. Petersburg.
- [7] Utility receives water service from Pinellas County and wastewater service from the City of St. Petersburg.

Figure 1
Town of Longboat Key, Florida
Pass-Through of Manatee County Wholesale Water and Wastewater
Rate Increases Effective November 1, 2012

Bill Comparison
 Reflects Rates
 Effective as of
 June 2012

**Graphical Comparison of Typical Monthly Residential Bills for Combined
 Water and Wastewater Service at Usage of 10,000 Gallons**



[*] Utilities in CAPITALIZED letters: i) are involved in rate study; ii) are planning to conduct rate study; or iii) will implement rate revision or price index / pass-through adjustment within twelve months



Public Resources Management Group, Inc.

Utility, Rate, Financial and Management Consultants

**METHODOLOGY FOR PASS-THROUGH OF MANATEE COUNTY
WHOLESALE WATER AND WASTEWATER RATE INCREASES
EFFECTIVE NOVEMBER 1, 2012**

To develop the proposed user rates to pass-through the wholesale water and wastewater rate increases from Manatee County, the Town utility's operating and financial results for the twelve months ended September 30, 2011 (Fiscal Year 2011) and for the eight months ended May 31, 2012 (year-to-date Fiscal Year 2012) were utilized.

Revenue Under Existing Rates

For the Fiscal Year 2011, the Town reported water user rate revenue of \$3,474,739 and wastewater user rate revenue of \$3,741,751 (combined = \$7,216,490). Effective October 1, 2010 (the beginning of Fiscal Year 2011), the Town's water rates were decreased by 1.5% and the wastewater rates were reduced by 10.5%. Since that time, the Town Commission has passed-through Manatee County wholesale rate increases twice. The existing water and wastewater monthly user rates for the Town were established pursuant to Ordinance 2012-01 approved by the Town Commission on January 9, 2012 and became effective for bills rendered on or after March 1, 2012.

Assuming no significant customer growth and similar economic and environmental conditions, the following user rate revenue collections for the Town have been estimated for the twelve months ending September 30, 2013 (Fiscal Year 2013):

Summary of Estimated Fiscal Year 2013 Utility User Rate Revenue Under Town's Existing Rates			
	Water System	Wastewater System	Combined
Actual User Rate Revenue in Fiscal Year 2011	\$3,474,739	\$3,741,751	\$7,216,490
Add Estimated Five Months (October Through February) of Incremental Revenue Under Rate Increases Effective March 1, 2011	\$26,283	\$36,801	\$63,084
Add Incremental Revenue Under Rate Increases Effective March 1, 2012	\$42,480	\$47,129	\$89,608
Estimated User Rate Revenue in Fiscal Year 2013 Under Town's Existing Rates	<u>\$3,543,502</u>	<u>\$3,825,680</u>	<u>\$7,369,182</u>

As shown in the preceding table, water user rate revenue for the Fiscal Year 2013 has been estimated to be \$3,543,502, while wastewater rate revenue has been estimated at \$3,825,680 (combined = \$7,369,182). These estimates form the basis for determining the pass-through adjustment due to the Manatee County wholesale rate increases.

The Town reported that in May 2012 that there were 10,679 water equivalent living units (ELUs) being served by the water system and 10,190 ELUs served by the wastewater system. Total water sold from June 1, 2011 to May 31, 2012 to the Town’s water utility customers was 558,490,000 gallons and the total billed wastewater flow was 349,006,000 gallons.

Effect of Manatee County Wholesale Rate Increases on Utility’s Operating Expenses

The following Manatee County wholesale water and wastewater rate increases will become effective on November 1, 2012 pursuant to Resolution No. R-11-209 that was adopted by the Manatee County Board of County Commissioners on October 25, 2011:

Summary of Increases in Manatee County Wholesale Water and Wastewater Rates				
	Effective	Effective	Difference	
	November 1, 2011	November 1, 2012	Amount	Percent
<u>Wholesale Water Rates</u>				
Monthly Capacity Charge (\$ / MGD)	\$9,635	\$9,924	\$289	3.0%
Quantity Charge (\$ / kgal)	\$1.55	\$1.59	\$0.04	2.6%
<u>Wholesale Wastewater Rates</u>				
Monthly Capacity Charge (\$ / MGD)	\$14,988	\$15,438	\$450	3.0%
Quantity Charge (\$ / kgal)	\$1.92	\$1.97	\$0.05	2.6%

MGD = million-gallons-per-day
 kgal = 1,000 gallons

As shown in the preceding table, the wholesale rates consist of: i) a fixed monthly capacity charge that does not vary based on the volume of water or wastewater treated; and ii) a quantity or volumetric charge per 1,000 gallons sold. The Town is currently allocated 2.50 million-gallons-per-day (MGD) of water capacity and 2.26 MGD of wastewater capacity by Manatee County. From June 1, 2011 to May 31, 2012, the Town reported water purchases of 597,108,724 gallons from Manatee County. Also during this same time period, the Town delivered to Manatee County 607,376,000 gallons of sewage.

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Based on the Town's reported water purchase statistics, the estimated effect of the wholesale water rate increases on the utility's operating expenses is summarized as follows:

**Summary of Estimated Increase in Water System Operating Expenses
as a Result of Wholesale Water Rate Increases from Manatee County**

Description	Water System		Difference
	Wholesale Rates Effective November 1, 2011	Wholesale Rates Effective November 1, 2012	
<u>Capacity Charges</u>			
Reserve Capacity (MGD)	2.50	2.50	
Monthly Capacity Charge (\$ / MGD)	\$9,635	\$9,924	\$289
Total Monthly Capacity Charges	\$24,088	\$24,810	\$723
Total Annual Capacity Charges	\$289,050	\$297,720	\$8,670
<u>Quantity Charges</u>			
Purchases (kgal) for Calculation Period	597,109	597,109	
Rate per kgal	\$1.55	\$1.59	\$0.04
Total Quantity Charges	\$925,519	\$949,403	\$23,884
Excess Demand Charges	\$0.00	\$0.00	\$0.00
Total Charges	<u>\$1,214,569</u>	<u>\$1,247,123</u>	<u>\$32,554</u>

MGD = million-gallons-per-day

kgal = 1,000 gallons

As shown in the preceding table, the wholesale water rate increases are projected to increase the System's annual operating expenses by \$32,554 in Fiscal Year 2013. Given the estimated \$3,543,502 in water revenue for Fiscal Year 2013 as discussed previously, the Town's water revenue must increase by 0.9% ($\$32,554 / \$3,543,502$) to maintain operating margins for the water system.

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Based on the Town's reported wastewater treatment statistics, the effect of the wholesale wastewater rate increases on the utility's operating expenses is summarized as follows:

**Summary of Estimated Increase in Wastewater System Operating Expenses
as a Result of Wholesale Wastewater Rate Increases from Manatee County**

Description	Wastewater System		Difference
	Wholesale Rates Effective November 1, 2011	Wholesale Rates Effective November 1, 2012	
<u>Capacity Charges</u>			
Reserve Capacity (MGD)	2.26	2.26	
Monthly Capacity Charge (\$ / MGD)	\$14,988	\$15,438	\$450
Total Monthly Capacity Charges	\$33,873	\$34,890	\$1,017
Total Annual Capacity Charges	\$406,475	\$418,679	\$12,204
<u>Quantity Charges</u>			
Treated Flow (kgal) for Calculation Period	607,376	607,376	
Rate per kgal	\$1.92	\$1.97	\$0.05
Total Quantity Charges	\$1,166,162	\$1,196,531	\$30,369
Excess Demand Charges	\$0.00	\$0.00	\$0.00
Total Charges	\$1,572,636	\$1,615,209	\$42,573

MGD = million-gallons-per-day

kgal = 1,000 gallons

The wholesale wastewater rate increases are projected to increase the System's annual operating expenses by \$42,573 in Fiscal Year 2013. Given the estimated \$3,825,680 in wastewater revenue for Fiscal Year 2013 as discussed previously, the Town's wastewater revenue must increase by 1.1% ($\$42,573 / \$3,825,680$) to maintain operating margins for the wastewater system.

Design of Pass-Through Water and Wastewater Rates

As discussed in the previous section, it is estimated that the Town's water user rate revenue should be increased by 0.9% to pass-through the wholesale water rate increases, while the wastewater rate revenue should be increased by 1.1% to pass-through the wholesale wastewater rate increases (combined = 1.0%).

Based on discussions with Town staff, it is proposed that the pass-through rates recover the fixed component (i.e., monthly capacity charges) of the Manatee County wholesale rate increases through the Town's monthly service charges per unit and the volumetric component of the wholesale rate increases through the utility's usage charges per 1,000 gallons.

The following table shows the calculated amounts to be added to the Town's service charge per unit and the volumetric charges for both the water system and the wastewater system:

Summary of Calculated Adjustments to Town's Monthly Water and Wastewater User Rates		
Description	Water System	Wastewater System
<u>Service Charge Per Unit</u>		
Annual Increase in Manatee County Capacity Charges	\$8,670	\$12,204
Monthly Increase in Manatee County Capacity Charges	\$723	\$1,017
Total Monthly ELUs in May 2012	10,679	10,190
Calculated Increase in Monthly Service Charge Per ELU	\$0.068	\$0.100
Rounded Increase in Monthly Service Charge Per ELU	\$0.07	\$0.10
<u>Usage Charge</u>		
Annual Increase in Manatee County Quantity Charges and Excess Demand Charges	\$23,884	\$30,369
Billable Gallons (000's) [1]	558,490	349,006
Calculated Increase in Usage Charge (per 1,000 gallons)	\$0.043	\$0.087
Rounded Increase in Usage Charge (per 1,000 gallons)	\$0.04	\$0.09

[1] Reflects billable gallons from June 1, 2011 through May 31, 2012.

These adjustments are reflected in Table 1 of this letter report.

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End of Agenda Item