


To: Cape Elizabeth Town Council
From: Michael K. McGovern 
Re: Sewer Rates
Date: December 30, 2011

I am recommending a four step increase in sewer rates to meet revenue needs to fund nearly completed work on the Southern Cape Elizabeth Treatment Plant and to address DEP mandates to curtail the frequency of our one combined sewer overflow. The estimated cost of system improvements to address the combined sewer overflow is \$2.5 million over the next five years with \$500,000 to \$700,000 of this recommended to be funded with existing balances in the sewer user fund and the balance of \$1.8 to \$2.0 million recommended to be funded through a 15 year bond to be issued in 2014 which will require an approximate \$150,000 additional annual expense for amortization.

The proposed sewer user rates would result in \$349,295 more in annual revenue in FY 2016 than in FY 2012. The proposed rate increases are 4.5% in March of 2012 and 5.7%, 5.4% and 3.8% respectively in the following three years. The cumulative increase is 20.2%. It is recommended a public hearing be set for February 13, 2012. The Portland Water District and the combined sewer overflow engineer will be present at your January 11, 2012 workshop.

Background

The Town Council last looked at sewer rates in 2008 as work was beginning to get underway on improvements to the 25 year old treatment plant on Spurwink Avenue. That work is nearing completion.

In 2008, the projection showed that we would need a 27% sewer rate increase in FY 2011. Instead of enacting such a significant rate increase all at once, the staff recommended and the Town Council adopted 4% increases on January 1, 2009, 2010 and 2011. We must now address the balance of the revenue requirement and it is timely to consider how we will fund continuing updates of the older parts of our system and especially the need to curtail the combined sewer outfall (CSO) from the Ottawa Road pump station.

The 2008 analysis projected our revenue requirement would extend out to \$1,921,720 in 2012 and \$1,987,101 in 2013. The 2008 projections provided for surpluses through 2010 and a projected deficit in 2011. Our current projections after receiving Portland Water District assessment forecasts are as follows:

FY 2012	\$1,491,717
FY 2013	\$1,723,377
FY 2014	\$1,925,235
FY 2015	\$1,994,519
FY 2016	\$2,069,267

This shows that the 2008 projections were on target except that amounts have slid a year later. The 2008 original 27% increase would have resulted in a monthly minimum sewer user fee of \$43.82 and an incremental fee of \$5.80 per hundred cubic feet of measured water usage. The actual 2011 rate was a minimum of \$37.90 and an incremental fee of \$4.95.

With projections of the Portland Water District sewer assessment and debt serve requirements available through FY 2016, I am recommending the following sewer user rates to be effective as indicated into 2016:

Current: (Began effective January 1, 2011)

- \$ 37.70 Up to 100 cubic feet of monthly measured water usage
- \$ 4.95 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

Recommended

Effective March 1, 2012

- \$ 40.00 Up to 100 cubic feet of monthly measured water usage
- \$ 5.10 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

Effective March 1, 2013

- \$ 43.00 Up to 100 cubic feet of monthly measured water usage
- \$ 5.25 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

Effective March 1, 2014

- \$ 46.00 Up to 100 cubic feet of monthly measured water usage
- \$ 5.41 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

Effective March 1, 2015

- \$ 48.00 Up to 100 cubic feet of monthly measured water usage
- \$ 5.57 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

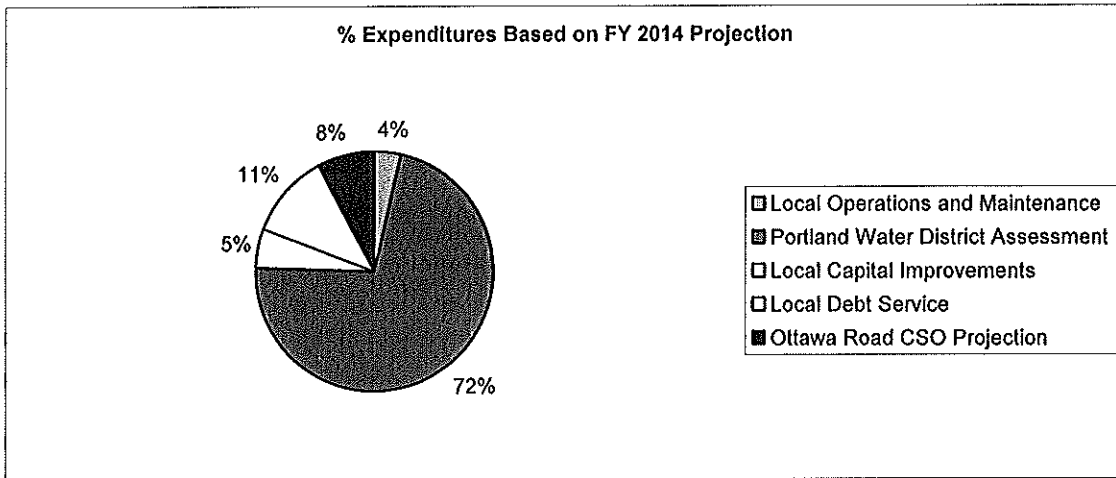
The sewer service charge shall be applied directly for each water meter in place and for every structure attached to the municipal sewer.

B. Sewer Connection Fee Effective January 1, 2010

Pursuant to Sec. 15-1-6 (b) and 15-1-6 (c) of the Town Ordinances, the connection fee, including inspection and start-up assessment, shall be as follows:

\$4,000 for each unit to be served by the municipal sewer system with said fee to be paid prior to any connection to said system.

C. **ORDERED**, in accordance with Sec. 15-1-11 (c) of the Sewage Ordinance, interest for past-due sewage charges shall be assessed beginning twenty-five (25) days after date of billing at the same interest rate as is charged for past due taxes.

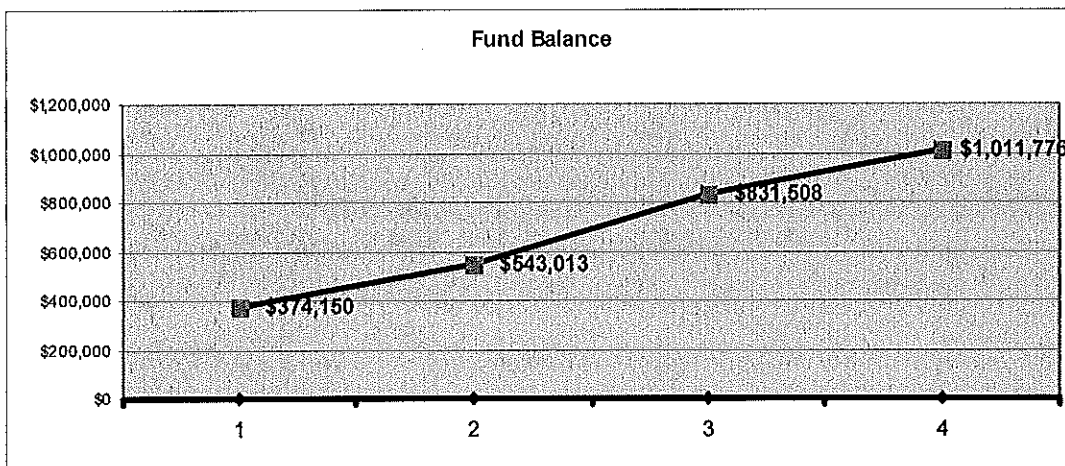


These rates would result in \$349,000 in additional annual revenue in FY 2016 than in FY 2012. The proposed rate increases are 4.5% in March of 2012 and 5.7%, 5.4% and 3.8% respectively in the following three years. The cumulative increase is 20.2%. The increase is attributable to increased assessments from the Portland Water District primarily for the Southern Cape Treatment Plant and an estimated allowance for the curtailment of the combined sewer overflow.

I should note that a “revenue requirement” for our sewer budget is a rate increase for the local sewer customers. As the actual assessments will be little varied from the projections and we continue to face the reality of a decaying system, I believe that a longer term approach to rates is sound. There is certainly no mandate to look at rates over four years, but at least three years gives us the ability to address remediation of the CSO with the DEP and enables continuing short term improvements to our system which should result in fewer sewer backups.

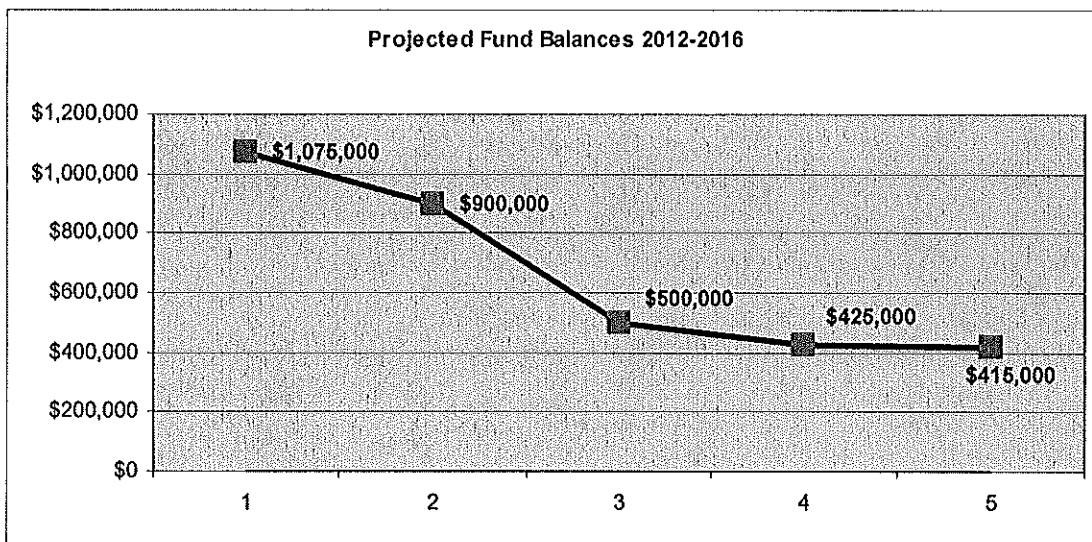
The Sewer User Fund

As referenced earlier the sewer user fund has had positive results since FY 2008. The fund balance is now \$1,011,776 of which \$313,217 is in receivables.



These positive results came about as we were planning for the increases in the PWD assessment and we have not undertaken any significant local capital improvements in our sewer system while awaiting the results of a study of alternatives to resolve the combined sewer overflow at the Ottawa Road pump station. The Town Council is receiving a separate report on the Ottawa Road pump station which shows that Cape Elizabeth likely needs to reduce about 550 gallons per minute of flow during peak flows. The consulting engineers' estimates for solutions to address a significant reduction in overflow events indicate that we are facing about a \$2.5 million dollar investment over the next five years. This number has some elasticity as we still need to zero in on the best methods to achieve the desired flow reductions. Nonetheless, it is evident that the sewer user fund will have an impact in the \$2.5 million range and some sewer customers who will need to address their own private lines will also bear a burden.

The staff recommendation is to fund \$500,000 to \$700,000 of the improvements from the fund balance of the sewer user fund and the balance from a bond to be issued in FY 2014. The annual Ottawa Road CSO \$150,000 estimate in the expenditure needs in the sewer rate calculations beginning in FY 2014 is for repayment of a new 15 year bond.



Thank you for your consideration of this recommendation.

Portland Water District
Assessment

Projections for Rate-Making Purposes

(Preliminary – subject to Board of Trustees and Municipal Review)

Expense
to Town

Revenue
to
Portland
Water
District

Wastewater Cape Elizabeth	2012	2013	2014	2015	2016
Revenue:	<u>Budget</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Assessment Income	1,293,540	1,338,814	1,385,672	1,454,956	1,527,704
Interest Income	1,584	1,584	1,584	1,584	1,584
FEMA Reimbursement	0	0	0	0	0
Total Revenue	1,295,124	1,340,398	1,387,256	1,456,540	1,529,288
Expense:					
Contracted Svcs	193,929	198,777	203,746	208,840	214,061
Salaries/Wages	181,181	184,805	188,501	194,156	199,981
Employee Benefits	84,316	92,748	102,023	112,225	123,448
Purchased Power	76,833	78,754	80,723	82,741	84,810
Transportation	61,679	63,221	64,802	66,422	68,083
Materials/Supplies	24,300	24,908	25,531	26,169	26,823
Heat/Fuel Oil	16,520	16,933	17,356	17,790	18,235
Biosolids Disposal	12,500	12,813	13,133	13,461	13,798
Tele/Oth Utilities	10,730	10,998	11,273	11,555	11,844
Chemicals	9,822	10,068	10,320	10,578	10,842
Other Expense	3,400	3,485	3,572	3,661	3,753
Insurance	2,923	2,996	3,071	3,148	3,227
Support Services:					
Administration	136,528	139,941	143,440	147,026	150,702
Wastewater Services	80,970	82,994	85,069	87,196	89,376
Engineering Services	59,542	61,031	62,557	64,121	65,724
Environmental Services	27,680	28,372	29,081	29,808	30,553
Water Services	3,945	4,044	4,145	4,249	4,355
Capital:					
Debt Service	215,557	221,285	251,086	300,821	313,321
Renewal & Replacement	92,772	92,772	92,772	92,772	92,772
Total Expense	1,295,124	1,330,945	1,392,201	1,476,739	1,525,708
Annual Surplus (Deficit)	0	9,453	-4,945	-20,199	3,580
Transfer to R&R	0				
Carryforward Surplus	226,842	226,842	226,842	226,842	226,842
Period Ending Surplus	226,842	226,842	226,842	226,842	226,842
Target	323,781	332,736	348,050	369,185	381,427

The impact of addressing Ottawa Road infiltration/inflow study not incorporated in projection.

To: Cape Elizabeth Town Council

From: Michael K. McGovern

Re: Sewer Rates

Date: August 15, 2008

Sewer rates were last changed for all customers on July 1, 2007. It is proposed to adjust sewer rates by 4% on January 1, 2009, 2010 and 2011.

In the next few years the treatment plant on Spurwink Avenue needs to be upgraded as the Maine DEP has asked us to reduce the overflow during rain events. The Portland Water District who owns and operates the plant on our behalf has with consultants identified a project to improve the hydraulic capacity of the plant from 550 million gallons per day to 2.75 million gallons per day. This will greatly reduce the incidents of overflows. The cost of the improvements is estimated at \$2.7 million. The District would borrow the funds through a 20 year bond form the State Revolving Loan Fund at an estimated 3.5% interest rate.

In order to reduce a 27+% increase in 2011, it is recommended that the sewer rates increase 4% each year. The funds raised in the interim will allow us to continue to allocate about \$200,000-\$250,000 each year for capital improvements in the northern part of the sewer system as the DEP also has met with us to find solutions to reduce the combined sewer overflow at the Ottawa Road pump station. The Ottawa Road issue will need much more than the \$200,000 per year over the next few years. Since much of the problem there is drainage related, costs may have to be shared with the general fund. The amount being set aside for capital improvements in the sewer fund could also be converted to a debt service payment so as to undertake more work sooner as we anticipate work on Ottawa Road will be a DEP requirement.

Attached is a spreadsheet prepared by David Kane at the Portland Water District outlining the cash flow projection. I changed David's original spreadsheet to show the 4% adjustment each year and to include our other costs in lines where David had originally put numbers as placeholders. David had prepared the spreadsheet with formula so that the proposed new rates reflected throughout the spreadsheet. I greatly appreciate David's work that enabled me to independently see the need to recommend this action.

Also attached is the proposed new sewer rate sheet.

Portland Water District Assessment Projection
For the Town of Cape Elizabeth

	2008	2009	2010	2011	2012	2013
PWD Assessment						
Assessment Revenue	\$ 1,049,052	\$ 1,049,052	\$ 1,089,993	\$ 1,136,199	\$ 1,221,318	\$ 1,469,884
Annual Assessment Increase		4%	4%	7%	20%	4%
Interest	\$ 46,735	\$ 40,635	\$ 40,635	\$ 40,635	\$ 40,635	\$ 40,635
Total Revenue	\$ 1,095,787	\$ 1,130,628	\$ 1,176,834	\$ 1,261,953	\$ 1,510,519	\$ 1,573,900
Personnel	\$ 214,878	\$ 225,904	\$ 236,764	\$ 248,247	\$ 260,384	\$ 273,220
Contracted Services	\$ 192,236	\$ 198,166	\$ 204,282	\$ 210,586	\$ 217,087	\$ 223,791
Material/Supplies	\$ 160,282	\$ 168,550	\$ 179,801	\$ 194,864	\$ 218,750	\$ 242,745
Transportation	\$ 50,752	\$ 53,288	\$ 55,932	\$ 58,730	\$ 61,866	\$ 64,749
Other	\$ 12,019	\$ 12,379	\$ 12,749	\$ 13,131	\$ 13,525	\$ 13,931
Allocated	\$ 349,065	\$ 363,116	\$ 379,606	\$ 397,989	\$ 418,688	\$ 440,308
Debt Service	\$ 31,566	\$ 24,244	\$ 22,700	\$ 53,406	\$ 235,419	\$ 230,156
Renew/Replacement	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Total Expenses	\$ 1,095,777	\$ 1,130,628	\$ 1,176,834	\$ 1,261,953	\$ 1,510,519	\$ 1,573,900
Net Income	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ -
Prior Year Surplus	\$ 376,411	\$ 376,421	\$ 376,421	\$ 376,421	\$ 376,421	\$ 376,421
End Year Surplus	\$ 376,421	\$ 376,421	\$ 376,421	\$ 376,421	\$ 376,421	\$ 376,421

Spurwink Pump Station Project Impact

Debt Service	\$ 47,250	\$ 229,500	\$ 224,475
Operating Expenses	\$ 9,570	\$ 20,001	\$ 20,901
Total	\$ 56,820	\$ 249,501	\$ 245,376
Percent of 2008 Assessment	5%	24%	23%
User Fee Impact			
PWD Assessment	\$ 1,089,993	\$ 1,221,318	\$ 1,469,884
Town Costs:			
Operations	\$ 39,684	\$ 41,684	\$ 45,684
Debt Service	\$ 246,586	\$ 219,564	\$ 219,564
Capital Improvements	\$ 200,000	\$ 250,000	\$ 200,000
Less: Interest Earned	\$ (3,412)	\$ (3,412)	\$ (3,412)
Connection Fees/Other	\$ (10,000)	\$ (10,000)	\$ (10,000)
Net User Fees Expenditures	\$ 1,562,851	\$ 1,721,154	\$ 1,921,720
User Fees Collected	\$ 1,565,326	\$ 1,638,809	\$ 1,772,668
Increase User Fee	\$ 2,525	\$ 717,655	\$ 850,948
Users Data			
Users	2,203	2,203	2,203
Consumption	169,700	169,700	169,700
Base Fee	\$ 34.50	\$ 36.25	\$ 39.20
Consumption Fee	\$ 4.56	\$ 4.75	\$ 5.14

Assumption/Comments:	
- Spurwink Pump Stations project assumed to cost \$2.7 million dollars. Project financed through a 20 year 3.5% bond through the state revolving loan fund. The \$2.7 million project cost assumes a 4% inflation increase over the 2007 estimated project cost of \$2.3 million. Project completion is assumed to occur mid-2011.	
- Operating Expenses increase vary by expense type and increase ranges between 3 and 5%. Additional chemical (\$15,000) and electricity (3% kwh increase) cost increases are related to proposed project. Actual costs may be significantly different.	
- Projections does not include debt financing of any other capital project, including potential capital work related to the Ottawa Road pump station improvement.	
- Service levels are assumed to be at the 2008 level.	
- The District's Board of Trustees have not reviewed and approved. Future changes and decisions may significantly change the projected assessment.	
- South Portland's assessment to the District to treat Cape Elizabeth's wastewater increases at rate of 3% per year.	

Town of Cape Elizabeth, Maine
Sewer Rates
Proposed Effective January 1, 2009, 2010 and 2011

ORDERED, that the Cape Elizabeth Town Council, pursuant to Sec. 15-1-11 of the Town Ordinances, does hereby revise and adopt the following Sewer Service Charge and Schedule:

A. The following user charge shall be effective for the first bill issued after the indicated date for all buildings within the Town of Cape Elizabeth connected to the public sanitary sewers of the Town:

~~Effective July 1, 2007~~

~~\$33.50 — Up to 100 cubic feet of monthly measured water usage~~
~~\$4.38 — Each additional 100 cubic feet, or fraction thereof, of monthly measured usage~~

~~Effective January 1, 2007~~

~~\$1.00 — Monthly surcharge until December 31, 2008 for customers with submeters~~

Effective January 1, 2009

\$ 34.84 Up to 100 cubic feet of monthly measured water usage
\$ 4.56 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

Effective January 1, 2010

\$ 36.25 Up to 100 cubic feet of monthly measured water usage
\$ 4.75 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

Effective January 1, 2011

\$ 37.70 Up to 100 cubic feet of monthly measured water usage
\$ 4.95 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

The sewer service charge shall be applied directly for each water meter in place and for every structure attached to the municipal sewer.

B. Sewer Connection Fee

Effective May 1, 2006 **Effective January 1, 2010 Fee Increases to \$4,000**

Pursuant to Sec. 15-1-6 (b) and 15-1-6 (c) of the Town Ordinances, the connection fee, including inspection and start-up assessment, shall be as follows:

\$3,500 for each unit to be served by the municipal sewer system with said fee to be paid prior to any connection to said system.

C. **ORDERED**, in accordance with Sec. 15-1-11 (c) of the Sewage Ordinance, interest for past-due sewage charges shall be assessed beginning twenty-five (25) days after date of billing at the same interest rate as is charged for past due taxes.

Town of Cape Elizabeth, Maine
Sewer Rates
Effective January 1, 2011
(Adopted October 15, 2008)
With Recommendations for March 1, 2012-March 1, 2015

ORDERED, that the Cape Elizabeth Town Council, pursuant to Sec. 15-1-11 of the Town Ordinances, does hereby revise and adopt the following Sewer Service Charge and Schedule:

A. The following user charge shall be effective for the first bill issued after the indicated date for all buildings within the Town of Cape Elizabeth connected to the public sanitary sewers of the Town:

Current: Began effective January 1, 2011

\$ 37.70 Up to 100 cubic feet of monthly measured water usage

\$ 4.95 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

Recommended

Effective March 1, 2012

\$ 40.00 Up to 100 cubic feet of monthly measured water usage

\$ 5.10 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

Effective March 1, 2013

\$ 43.00 Up to 100 cubic feet of monthly measured water usage

\$ 5.25 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

Effective March 1, 2014

\$ 46.00 Up to 100 cubic feet of monthly measured water usage

\$ 5.41 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

Effective March 1, 2015

\$ 48.00 Up to 100 cubic feet of monthly measured water usage

\$ 5.57 Each additional 100 cubic feet, or fraction thereof, of monthly measured usage

The sewer service charge shall be applied directly for each water meter in place and for every structure attached to the municipal sewer.

B. Sewer Connection Fee Effective January 1, 2010

Pursuant to Sec. 15-1-6 (b) and 15-1-6 (c) of the Town Ordinances, the connection fee, including inspection and start-up assessment, shall be as follows:

\$4,000 for each unit to be served by the municipal sewer system with said fee to be paid prior to any connection to said system.

C. **ORDERED**, in accordance with Sec. 15-1-11 (c) of the Sewage Ordinance, interest for past-due sewage charges shall be assessed beginning twenty-five (25) days after date of billing at the same interest rate as is charged for past due taxes.

PORTLAND WATER DISTRICT RATE SHEET

Typical Monthly Consumption and Charges for Residential Users with a 5/8" Meter, Based on Daily Usage of 60 gallons Per Person
Usage is Rounded to nearest hundred cubic feet (hcf). 1 HCF = 748 gallons.

WATER RATES		SEWER RATES							
Effective Date	05/01/11	07/01/11	07/01/11	01/03/11	04/01/2009	11/01/06			
# OF PEOPLE	GALLONS = HCF	MEMBERS	NON-MEMBERS	PORTLAND	SOUTH PORTLAND	CAPE ELIZABETH	WESTBROOK	WINDHAM	GORHAM
1	1,800= 2	10.20	11.73	16.22	8.66	42.65	16.10	48.84	20.03
2	3,600= 5	16.35	18.81	40.55	21.65	57.50	32.75	48.84	38.90
3	5,400= 7	20.45	23.53	56.77	30.31	67.40	43.85	55.32	51.48
4	7,200=10	26.60	30.61	81.10	43.30	82.25	60.50	65.04	70.35
5	9,000=12	30.70	35.33	97.32	51.96	92.15	71.60	71.52	82.93
6	10,800=14	34.80	40.05	113.54	60.62	102.05	82.70	78.00	95.51
7	12,600=17	40.95	47.13	137.87	73.61	116.90	99.35	87.72	114.38
8	14,400=19	45.05	51.85	154.09	82.27	126.80	110.45	94.20	126.96
9	16,200=22	51.20	58.93	178.42	95.26	141.65	127.10	103.92	145.83

WATER RATES	Minimum includes 1 HCF	2-30 HCF	31-100 HCF	Lifeline Water Rate (Reduction in Monthly Minimum Charge)	Minimum includes 1 hcf
MEMBERS	8.15 *	2.05 **	1.63 **	MEMBERS	2.05 *
NON-MEMBERS	9.37 *	2.36 **	1.88 **	NON-MEMBERS	2.36 *
SEWER RATES	MIN HCF	MIN CHARGE	ADDITIONAL HCF	Municipal Contacts for Sewer Rates	
PORTLAND	1	8.11	8.11	Harold Downs	Office 874-8460
CUMBERLAND	0	33.80	4.70	Pam Bosarge	829-2207
SOUTH PORTLAND	1	4.33	4.33	Pam McCarthy	767-7675
CAPE ELIZABETH	1	37.70	4.95	Mike McGovern	799-5251
WESTBROOK	1	10.55	5.55	Eric Dudley	854-9105 ext 222
GORHAM	1	13.74	6.29	David Twomey	839-5039
SOUTH WINDHAM	5 hcf per unit	48.84	3.24	Kate Johnson	222.1612
FALMOUTH	RATE PER LIVING UNIT	Commercial Fixtures >17	Schools	Anthony Plante	892-1907
	37.27 x # of Units (Residential)	(37.27 x # of units) plus (17 fixtures x # units - total # fixtures) x 1.76 (Com' combination of fix and units)	34.95 for every 15 students (Schools)	Diane Moore	781-4462
Note: These are the most common sewer rates, but this is not a complete list.					