TROY CITY COUNCIL
PUBLIC UTILITIES STANDING COMMITTEE AGENDA
November 21, 2016
6:00 P.M.

Pledge of Allegiance
Roll Call

Public Utility Members Chair John Donohue, Council Member Bodnar, Council Member Erin Sullivan-Teta

ORDINANCES

77. Ordinance Amending Prior Ordinances Duly Passed By The City Council Relating To The Sewer Rate From December 1975 Through December 9, 2014 Pursuant To The Troy City Code And The Rules And Regulations Of The Department Of Public Utilities To Increase The Sewer Rate From 85% To 100% Of The Water Bill Rate. (Council Member Kopka) (At The Request Of The Administration)

ORDINANCE AMENDING PRIOR ORDINANCES DULY PASSED BY THE CITY COUNCIL RELATING TO THE SEWER RATE FROM DECEMBER 1975 THROUGH DECEMBER 9, 2014 PURSUANT TO THE TROY CITY CODE AND THE RULES AND REGULATIONS OF THE DEPARTMENT OF PUBLIC UTILITIES TO INCREASE THE SEWER RATE FROM 85% TO 100% OF THE WATER BILL RATE

The City of Troy, in City Council, convened, ordains as follows:

Section 1. This Ordinance No.77 will amend prior ordinances duly passed by the City Council for the document from December 1975 through December 9, 2014 Pursuant to the Troy City Code and the Rules and Regulations of the Department of Public Utilities to increase the Sewer Rate from 85% to
100% of the water bill rate as follows:

SCHEDULE IV – SEWER RATES

Within the corporate limits of the City of Troy, the Sewer rate is 100 percent of the water bill, provided the customer is connected to the sanitary sewer system. There will be a minimum sewer bill calculated using 5,000 gallons per quarter at 100% of the current water meter rate for all accounts that have an active water, regardless of how much water they use and whether they are connected to the sanitary sewer system. Customers outside the City that are not bound by contract agreement of sewer districts or political subdivisions will be billed at the same 100 percent bill rate.

Section 2. This ordinance shall take effect January 1, 2017.

Approved as to form, October 13, 2016

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Kevin P. Glasheen, Esq., Corporation Counsel

THE CITY OF TROY

INTER-OFFICE MEMORANDUM

To: Council President Mantello, DPU Committee Chair Donohue, and Council Members

From: Chris Wheland, Superintendent of Public Utilities

Subject: 2017 Sewer Rate Increase

Date: 11/17/2016

Attached please find information to review while considering the proposed sewer rate increase. The charts may be difficult to understand as there is a lot of information and scenarios presented. I anticipate discussing the attachments in detail at Monday night's Public Utilities Committee meeting.

The proposed rate increase allows funding for the Combined Sewer Overflow (CSO) program only, at a cost to Troy of $34,497,831 over a 15 year consent order, the remainder of the sewer budget accounts are for the daily requirements of the sewer department. The budgeted value of the proposed increase will be added to the funding line for the CSO Program. There are multiple considerations to understand while considering the sewer rate and evaluating the Combined Sewer Overflow Program (CSO)

1) The sewer fund may not have enough set aside for emergencies,
2) The proposed rate doesn't include escalation for any other expenses, including inflation
3) CSO Project costs are estimated at a responsible level. Any project savings would be deducted from the CSO communities overall cost. Additionally, increased project costs may be split between the CSO communities,
4) Grant values are estimated. Actual grants may be higher or non-existent.

Attachment (A) considers the CSO Program and shows multiple sewer rate options, with various amounts dedicated to the CSO program and estimated grant proportions. Sewer rate calculations were considered at 85%, 90%, 95%, 100% and 105% of the water rate. Estimated grant proportions were calculated at 0%, 15%, and 25% of the project costs.

The top portion of attachment (A) shows estimated CSO project costs throughout the entire program, a Troy total of $34,497,831. This portion also shows the various grant estimates and budgeted values per year. The bottom half calculates the different scenarios at specific sewer rate and grant values. The first box of each section explains the rate percentage and grant percentage that were evaluated, i.e. (85/25 is 85% of the water rate coupled with 25% grant funding). The second box calculates the 11 year total of funds available. The third box calculates the annual available amount for the CSO program. The fourth box shows the difference between total available funds and total project costs. The fifth box calculates the average annual required difference in funds.

It is anticipated that 15-25% of the CSO projects will be funded by grant, whilst other funding will be required through financing or the annual budget. Please understand that any financing that is received will need to be paid back to the finance company, and that the money to pay back the financing will be deducted from the annual sewer budget. Therefore adjusting the rate appropriately now, limits a rate adjustment in the future. Any future rate adjustments would be for operational needs.

Through thorough review of attachment A, it is evident that the rate structure of 105% with 25% grant shows an annual balance of $189,350.14. This is equivalent to a 4.4% gain on the current 2016 budget. Although this is arguably the most effective rate structure, I still have confidence in the 100% of the water rate for the near future. 25% grant funding is on the high side of the funding scale and a concern of achievability. At 100/25 there is an annual deficit of ($46,399.86), this deficit would be made up with financing, project cost restrictions or budget cuts.

Attachment (B) calculates the cost to customers for sewer service at all evaluated rates. These are shown at the per 1,000 gallon cost, minimum bill, and average rate increase for a family of 4 (estimated at 20,000 gallon per quarter), at both the quarterly increase and annual increase. At 100% of the water rate the per 1,000 gallon rate increases by $0.51. The minimum bill is increases by $2.58 per quarter, or $0.86 per month. The average usage for a family of four is ~20,000 gallons. The increase per quarter for a family of four would be ~$10.28, or $3.426 per month.

I understand and respect the City Council's decision to receive more information. It is also understood that this rate increase is considered to be additional to the proposed tax levy increase. The sewer rate of 100% of the water rate has been proposed before. In 2014 the proposal was to increase the rate beginning January 1, 2015. At that time there was much discussion over what the responsible increase was. 85% was chosen as it was a mid-point between the then 65% rate and the 100% rate. It was anticipated the sewer rate would be increased to 100% to begin January 1, 2016. The proposed Department of Public Utilities 2016 budget included the 100% rate. It was decided at that time by the administration to leave the sewer rate at 85% due to the tax levy increase. Yes, the tax levy has a significant proposed rate increase for 2017; however the tax levy has no impact on the misaligned sewer rate. Not increasing the sewer rate at this time will require the sewer rate to increase higher than the water rate in the near future. My goal is to flat line or minimize the sewer rate increases for the future.

As part of the analysis the sewer budget was reviewed for reductions. Of the sewer budget there are only six significant areas that are able to be manipulated.

G.8120.102	Temp Salaries	$32,500	this is for season employees to help accomplish goals of the department
G.8120.103	Overtime	$85,000	annually this is between $65,000 and $75,000 and isused for on call needs and emergencies
G.8120.203	Other Mat and Sup	$22,500	This includes needed air compressors, solar signs, trailers, etc
G.8120.303	Material and Supplies	$298,000	Annually depending on need this is for all materials required to investigate, and repair sewer lins and catchbasins
G. 8120.405.0068	Rental Equip	$45,000	This is to complete projects using city forces and renting equipment, rather than hire contractors
G.8120.409	Consultant Fees	$300,000	For 2017 these funds would reline Campbell Ave.

Although there are options to reduce budgeted amounts, a reduction would severely impact the service provided to customers and therefore not be recommended.

I look forward to discuss the proposed rate increase with you and explain my perspective. The decision of the council will be respected and carried out to the best abilities of the department.

Cc: Patrick Madden, Mayor
Monica Kurzejeski, Deputy Mayor
Andrew Piotrowski, Deputy Comptroller
Patti O'Brien, City Clerk
Evan Perry, Maintenance Manager

City of Troy

Department of Public Utilities 11/14/2016

Sewer Rate Review

	Current 85%	90%	95%	100%	105%
PER 1,000					
City water	$ 3.43	3.43	3.43	$ 3.43	3.43
City Sewer	$ 2.92	3.089	3.26	$ 3.43	3.604
County Sewer	$ 3.69	3.69	3.69	$ 3.69	3.69
	$ 10.04	$ 10.21	$ 10.38	$ 10.55	$ 10.72
Increase in /1,000 gal rate City sewer		$ 0.17	$ 0.34	$ 0.51	$ 0.69
Minimum Bill					
City based on 5000 gallons	$ 17.16	17.16	17.16	$ 17.16	17.16
City based on 5000 gallons	$ 14.58	15.445	16.3	$ 17.15	18.02
Cty flate rate to 13850 gal	$ 51.10	51.10	51.10	$ 51.10	51.10
	$ 82.84	83.705	84.56	85.41	86.28
Increase in min bill		$ 0.87	$ 1.72	$ 2.57	$ 3.44
20,000 gal usage (Avg Bill Family of 4)					
City water	$ 68.60	68.6	68.6	$ 68.60	68.6
City Sewer	$ 58.32	61.78	65.2	$ 68.60	72.08
County Sewer	$ 73.80	73.8	73.8	$ 73.80	73.8
Bill	$ 200.72	$ 204.18	$ 207.60	$ 211.00	$ 214.48
Increase in 1/4 bill		$ 3.46	$ 6.88	$ 10.28	$ 13.76
Increase annually		$ 13.84	$ 27.52	$ 41.12	$ 55.04
REVENUE		Annual Increase			
		$ 235,750	$ 471,500	$ 707,250	$ 943,000

THE CITY OF TROY

INTER-OFFICE MEMORANDUM

To: Patrick Madden, Mayor

From: Chris Wheland, Superintendent of Public Utilities

Subject: 2017 Budget, Sewer Rate Increase

Date: September 30, 2016

Cc: Monica Kurzejeski, Deputy Mayor
Owen Goldfarb, Budget Analyst
Andrew Piotrowski, Acting Deputy Comptroller
Kevin Glasheen, Corporation Council

The Combined Sewer Overflow Program (CSO) is progressing and accomplishing many projects. The costs of the projects are ongoing. In order to afford all projects listed under the program a sewer rate increase is needed for January 1, 2017. I propose a rate increase from $2.917 per 1000 gallons to $3.42 per 1000 gallons or 100% of the water rate; this is a 17.5% increase. This adjustment to the sewer rate will increase revenues for the sewer department an estimated $707,250 annually. Previous sewer rate increases occurred in 2013 where the rate increased from $1.493 per 1000 gallons to $2.231 per 1000 gallons; it increased again in 2015 from $2.231 per 1000 gallons to $2.917 per 1000 gallons.

This increase equates to a $0.51 increase per 1000 gallons of water used. The minimum water bill will be increased by $2.58 per 1000 gallons quarterly. The average water consumption quarterly is 20,000 gallons. The average bill will increase by $10.28. This is a significant increase, but compared to other utility bills that are monthly reoccurrences, water and sewer is relatively affordable.

Although this is not sufficient to fund the entire CSO program, I think it is sufficient due to other funding opportunities that have become available from NYSDEC and NYSEFC in the form of 0% interest loans and grant funding.

The sewer fund has been noted by the New York Office of the State Comptroller (OSC) many times to be deficient for both the cost of the CSO program and the lacking sewer fund balance. This increase will accommodate some of the OSC comments.

A little background on the CSO program. In 1994, the EPA, to expedite compliance with the Clean Water Act requirements, adopted a CSO Control Policy to control discharges into the Nation's waterways by requiring municipalities to prepare and implement a Long Term Control Plan (LTCP) to mitigate CSO impacts. The policy is being carried out via the National Pollutant Discharge Elimination System (NPDES) permit program. In turn, New York State is meeting the requirements of the Act through the State Pollutant Discharge Elimination System (SPDES) permit program.

Troy, together with the other five CSO communities along the Hudson River comprises the "Albany Pool" communities. These communities are Albany (city) Cohoes, Green Island, Rensselaer (city), and Watervliet and began working together with Troy in 2003 to prepare the required CSO Long Term control Plan (LTCP) which was submitted to the NYSDEC in June 2011 and approved by the NYSDEC January 15, 2014. The projected cost of the LTCP is $140 million with the City of Troy's share at $35 million.

It was this program that reflected the required rate increases. It was also the many comments made by the OSC that enforced the rate increase. Over the past many years all departments have gone through reduction in staffing and budgetary requirements to avoid increases in rates. Without an increase I am concerned for daily operations in the department and services rendered to the residents of Troy. I understand the impact such a request makes, but without it we would be unable to provide the services we rely on to promote the city.

City of Troy
Department of Public Utilities
Sewer Rate Review

9/28/2016

	Current 85%	Proposed 2017 100%
PER 1,000		
City water	$ 3.43	3.43
City Sewer	$ 2.92	3.43
County Sewer	$ 3.69	3.69
	$ 10.04	10.55
Increase in /1,000 gal rate City sewer		**$ 0.51**
Minimum Bill		
City based on 5000 gallons	$ 17.16	17.16
City based on 5000 gallons	$ 14.58	17.16
Cty flate rate to 13850 gal	$ 51.10	51.10
	$ 82.84	85.42
Increase in min bill		**$ 2.58**
20,000 gal usage (AVG BILL)		
City water	$ 68.60	68.60
City Sewer	$ 58.32	68.60
County Sewer	$ 73.80	73.80
Bill	$ 200.72	211.00
Increase in 1/4 bill		**$ 10.28**
Increase annually		**$ 41.12**

REVENUE	2017	Annual Increase
2017 rate from 85% to 100%	$ 3.430	$ 707,250.00

	Current 85%	100% in 2017
Total costs CSO Next 11	$ 33,589,743	$ 33,589,743
Current Budget x11	$ 16,403,750	$ 22,027,500
Proposed 100% x11 rev increase		$ 7,779,750
Encumbered Prior to 2017 (CSO's)	$ 5,236,624	$ 5,236,624
Deficit at end of LTCP	$ (11,949,369)	$ (6,325,619)

CSO Estimated Project cost vs Available Funds

11/16/2016

	Estimated Project Cost	Debt Service	Grant Amounts 25%	15%	0%	Funds Available at 85%	90%	95%	100%	105%
						Percentages are proportionate to the water rate				
Prior expenses	$ 2,238,813									
2015	$ 1,235,718	$ 900,000								
2016	$ 1,475,562	$ 1,502,500								
2017	$ 1,336,522		$ 334,131	$ 200,478	$ -	$ 1,492,568	$ 1,728,318	$ 1,964,068	$ 2,199,818	$ 2,435,568
2018	$ 2,749,516		$ 687,379	$ 412,427	$ -	$ 1,492,568	$ 1,728,318	$ 1,964,068	$ 2,199,818	$ 2,435,568
2019	$ 2,499,244		$ 624,811	$ 374,887	$ -	$ 1,492,568	$ 1,728,318	$ 1,964,068	$ 2,199,818	$ 2,435,568
2020	$ 2,367,156		$ 591,789	$ 355,073	$ -	$ 1,492,568	$ 1,728,318	$ 1,964,068	$ 2,199,818	$ 2,435,568
2021	$ 7,056,280		$ 1,764,070	$ 1,058,442	$ -	$ 1,492,568	$ 1,728,318	$ 1,964,068	$ 2,199,818	$ 2,435,568
2022	$ 8,636,122		$ 2,159,031	$ 1,295,418	$ -	$ 1,492,568	$ 1,728,318	$ 1,964,068	$ 2,199,818	$ 2,435,568
2023	$ 1,251,360		$ 312,840	$ 187,704	$ -	$ 1,492,568	$ 1,728,318	$ 1,964,068	$ 2,199,818	$ 2,435,568
2024	$ 928,092		$ 232,023	$ 139,214	$ -	$ 1,492,568	$ 1,728,318	$ 1,964,068	$ 2,199,818	$ 2,435,568
2025	$ 823,812		$ 205,953	$ 123,572	$ -	$ 1,492,568	$ 1,728,318	$ 1,964,068	$ 2,199,818	$ 2,435,568
2026	$ 987,184		$ 246,796	$ 148,078	$ -	$ 1,492,568	$ 1,728,318	$ 1,964,068	$ 2,199,818	$ 2,435,568
2027	$ 912,450		$ 228,113	$ 136,868	$ -	$ 1,492,568	$ 1,728,318	$ 1,964,068	$ 2,199,818	$ 2,435,568
Total	$ 34,497,831	$ 2,402,500	$ 7,386,934.50	$ 4,432,160.70	$ -	$ 16,418,248.00	$ 19,011,498.00	$ 21,604,748.00	$ 24,197,998	$ 26,791,248.00

Funds - Grant Totals	Annual Allocated Amount	Total Allocated (-) Project cost	Annual Deficit
85/25	$ 23,805,183	$ 2,164,108	$ (8,290,149)	$ (753,649.86)
85/15	$ 20,850,409	$ 1,895,492	$ (11,244,922)	$ (1,022,265.66)
85/0	$ 16,418,248	$ 1,492,568	$ (15,677,083)	$ (1,425,189.36)
95/25	$ 28,991,682.50	$ 2,635,607.50	$ (3,103,648.50)	$ (282,149.86)
95/15	$ 26,036,908.70	$ 2,366,991.70	$ (6,058,422.30)	$ (550,765.66)
95/0	$ 21,604,748.00	$ 1,964,068.00	$ (10,490,583.00)	$ (953,689.36)
105/25	$ 34,178,182.50	$ 3,107,107.50	$ 2,082,851.50	$ 189,350.14
105/15	$ 31,223,408.70	$ 2,838,491.70	$ (871,922.30)	$ (79,265.66)
105/0	$ 26,791,248.00	$ 2,435,568.00	$ (5,304,083.00)	$ (482,189.36)

Funds - Grant Totals	Annual Allocated Amount	Total Allocated (-) Project cost	Annual Deficit
90/25	$ 26,398,432.50	$ 2,399,857.50	$ (5,696,898.50)	$ (517,899.86)
90/15	$ 23,443,658.70	$ 2,131,241.70	$ (8,651,672.30)	$ (786,515.66)
90/0	$ 19,011,498.00	$ 1,728,318.00	$ (13,083,833.00)	$ (1,189,439.36)
100/25	$ 31,584,932.50	$ 2,871,357.50	$ (510,398.50)	$ (46,399.86)
100/15	$ 28,630,158.70	$ 2,602,741.70	$ (3,465,172.30)	$ (315,015.66)
100/0	$ 24,197,998	$ 2,199,818	$ (7,897,333.00)	$ (717,939.36)