



SHAKER HEIGHTS

Modernizing a Historic City Recommendation to Increase Sewer Fees

**Joint Council/Finance and Administration Committee
Work Session
November 11, 2019**

Background

- Shaker's public storm and sanitary sewer system is 100 years old.
- City has spent \$13+ million since 2014 on sewer maintenance and infrastructure improvements.
- Current 10-year sewer capital plan requires \$36+ million.
- No increase of property owners sewer fee (based on MCF of water usage) since 2001.

Background (cont'd)

- Net sewer fee revenue and MCF usage has been declining while CWD billing costs have been increasing.
- City operating funds of more than \$2.5 million per year are being transferred from General Fund to Sewer Fund to cover annual shortfall.
- Grants and loans have supplemented the General Fund subsidy.
- New fixed fee and increase in variable rate charge has been proposed to make up this shortfall, to be phased in over 4 years.

Fixed Fee and MCF Rate Proposal

New Monthly Fixed Fee

\$2.50 in 2020

\$5.00 in 2021 (\$2.50 increase)

\$7.50 in 2022 (\$2.50 increase)

\$10.00 in 2023 (\$2.50 increase)

\$2.50 to \$10 over 4 years

MCF Rate Increase

\$10.50 in 2019 (current)

\$11.00 in 2020 (\$0.50 increase)

\$11.50 in 2021 (\$0.50 increase)

\$12.00 in 2022 (\$0.50 increase)

\$12.50 in 2023 (\$0.50 increase)

\$10.50 to \$12.50 over 4 years

5 Year Budget With Revised Fees

Sewer Maintenance Fund No. 204 Projection - 2019 through 2024						
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>Revenue</u>						
Sewer Fixed Fee	0	170,000	425,000	680,000	935,000	1,020,000
Sewer MCF Fee	1,049,700	1,083,300	1,133,300	1,183,300	1,233,300	1,250,000
Investment Revenue	32,000	65,500	98,900	52,200	10,200	93,700
Total Revenue	1,081,700	1,318,800	1,657,200	1,915,500	2,178,500	2,363,700
Excess of Revenues Over/Under Obligations	(263,478)	(117,635)	197,690	432,360	711,975	872,334
<u>Interfund Transfers In/(Out)</u>						
From General Fund	752,000	0	0	0	0	0
To Debt Service	0	(212,300)	(536,000)	(533,500)	(536,000)	(864,500)
To Sewer Capital	0	0	0	0	0	0
Total Transfers	752,000	(212,300)	(536,000)	(533,500)	(536,000)	(864,500)
% Change vs. Prior Year		-128.2%	152.5%	-0.5%	0.5%	61.3%
Excess of Revenues Over/Under Obligations	488,522	(329,935)	(338,310)	(101,140)	175,975	7,834
<u>Fund Balance:</u>						
January 1	788,903	1,277,425	947,490	609,180	508,040	684,015
December 31	1,277,425	947,490	609,180	508,040	684,015	691,849

5 Year Capital Improvements Borrowing Plan

Sewer Capital Projects Fund Projection - 2019 through 2024

	<u>5 Yr Total</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>Revenue</u>						
Debt Issue	\$12,000,000	\$6,000,000	\$0	\$0	\$6,000,000	\$0
Transfer In From General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$12,000,000	\$6,000,000	\$0	\$0	\$6,000,000	\$0
<u>Project Obligations</u>						
Sewer Lining/Rehabilitation & Overflow (SSO)	\$10,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Excess of Revenues Over/Under Obligations	\$2,000,000	\$4,000,000	(\$2,000,000)	(\$2,000,000)	\$4,000,000	(\$2,000,000)
Fund Balance:						
January 1	0	0	4,000,000	2,000,000	0	4,000,000
December 31	\$2,000,000	\$4,000,000	\$2,000,000	\$0	\$4,000,000	\$2,000,000

Fixed Fee By Building Type Recommendation

<u>Building Type</u>	<u>Monthly Fee (First Year)</u>
Single Family Home	\$2.50
Two Family Home	\$2.50
Apartments	\$2.50 per unit
Condominiums	\$2.50 per unit
Commercial / Mixed Use Buildings	TBD based on water meter size

Rationale For Fee By Building Type

- Most equitable to all property owners.
- All property owners are benefited by sewer system and revenues for debt repayment, additional capital repairs, or more aggressive sewer maintenance.
- Final \$ amount TBD based on billing info and water meter size from Cleveland Water Department.