

# CITY OF BETHLEHEM

---

## DEPARTMENT OF WATER AND SEWER RESOURCES INTEROFFICE MEMORANDUM

**TO:** J. William Reynolds, Council President

**FROM:** Edward J. Boscola, PE, Director of Water and Sewer Resources

**RE:** Modifications to Article 927 – Sewer Rental  
General Sewer Rate Increase for 2017

**DATE:** September 29, 2016

---

Attached please find the proposed revision to the Sewer Rental Ordinance (Article 927) which is needed to implement a 10% sewer rate increase with an effective date of January 1, 2017. The rate change is uniformly applied to all customer meter sizes and consumption rates for both City and Hanover Township customers. Bulk service rates for other contributing municipalities will be adjusted in accordance with paragraph 927.02(c) of the Ordinance.

### Background

The Sewer Fund continues to experience relatively flat revenue growth coupled with annual increases in the cost of operations and the need to adequately fund capital projects. Our five year plan anticipates revenue growth of less than 1% per year. The Department has been very diligent in its approach to containing the growth of annual expenses in order to avoid rate increases to the extent possible. Expenditures are anticipated to grow approximately 1.5 to 2% per year. This trend will result in a negative cash balance starting in 2018 and then continuing for the foreseeable future if there is no rate increase.

Budget projections for the next five years with and without a rate increase reflect the following Net Operating Income (revenues less expenses). NOI effectively becomes the capital appropriation from the operating to capital fund.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
NOI (without rate increase)	\$ 97,000	-\$ 275,000	-\$ 200,000	-\$ 285,000	-\$ 350,000
NOI (with 10% rate increase)	\$1,206,000	\$ 940,000	\$1,000,000	\$ 920,000	\$ 870,000

As you can see, without the proposed rate adjustment we will experience a negative NOI and therefore no capital appropriation from the operating fund – all capital spending would have to be borrowed money with associated debt service. It is critical for the financial stability of the sewer fund that we maintain a positive and relatively healthy NOI so we can (a) make substantial yearly appropriations to the capital fund, (b) offset additional borrowing and debt service payments, and (c) maintain adequate cash reserves. Without the rate increase we'd have to borrow more money to fund capital projects, which incurs higher debt service

payments, which increases expenditures and, without the growth in revenue, ultimately puts us into a deeper and deeper financial hole.

### **Capital Fund**

Investment in the waste water treatment plant and sewer collection system is in large part governed by the City's Act 537 Plan. The plan laid out a program of capital improvements at a total cost of approximately \$73M (in 2008 dollars) out to the year 2030. Through the end of this year we will have invested about \$25M into system upgrades since the inception of the Plan.

We recently completed an update to the capital improvement plan which takes into consideration the remaining work outlined in the Act 537 Plan as well as several emergent and other deferred projects that should be addressed in the near-term. The NOI anticipated from the 2017 rate increase is a step in the right direction to help fund the capital program but is not enough to meet the required pace of capital investment. To augment this appropriation we will pursue a debt instrument (bond issue) of approximately \$5M in 2017 to ensure adequate and reliable funding for capital projects over the next 3 to 5 years.

It is important to note that the above NOI projections take into consideration debt service payments from a new bond issue. Without the rate increase we'd have to float a larger bond that would add additional annual debt service of at least \$200,000. With the rate increase this \$200,000 effectively becomes avoided debt. Debt service payments for a 2017 bond would not start to incur until 2018.

### **Summary of Proposed Sewer Rate Change**

Average sewer bill for typical 4-person household in City of Bethlehem

\*Based on 8,000 gallons per month consumption and 5/8" meter\*

#### **Current Rate**

Consumption Charge	Meter Charge	Monthly Bill	Annual Total
\$2.740/1000 gal	\$8.05	\$29.97	\$359.64

#### **Proposed Rate (10% increase)**

Consumption Charge	Meter Charge	Monthly Bill	Annual Total
\$3.014/1000 gal	\$8.86	\$32.97	\$395.64

The increase for a typical residential customer will be \$3.00 per month (\$36.00 per year).

As previously noted, bulk sewer rates for contributing municipalities will increase as well, but those increases vary in proportion to flows and operating costs in accordance with the inter-municipal agreements. In addition to bulk sewer rates, contributing municipalities make financial payments to offset debt service the City incurs for capital projects. These payments are calculated every year.

Attached is a graph which compares the City sewer rate to other municipalities in our region and community size. Bethlehem sewer rates continue to be very competitive.

Our preliminary budget projections for 2017 with and without a rate increase reflect the following:

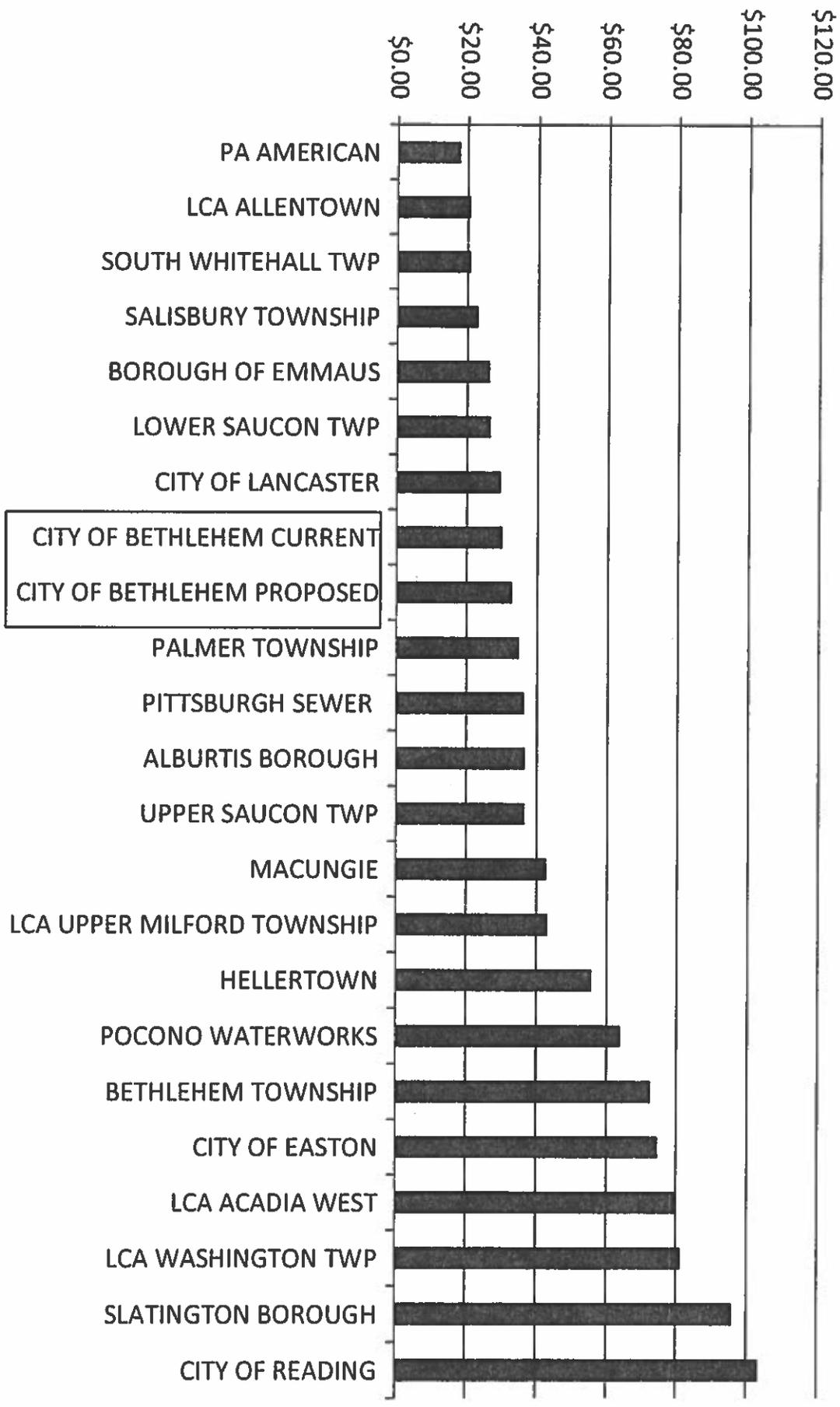
	<u>No Rate Increase</u>	<u>10% Rate Increase</u>
Revenue	\$14,637,000	\$15,746,000
Expenditures	\$14,540,000	\$14,540,000
Net Operating Income	\$ 97,000	\$ 1,206,000

Council's consideration of this matter at your earliest convenience will be greatly appreciated.

By:  \_\_\_\_\_

Copies to: R. Donchez, Mayor  
D. Brong  
M. Sivak  
File

# Monthly Residential Sewer Rate Comparison



BILL NO. 2016 - \_\_\_\_\_

ORDINANCE NO. 2016 - \_\_\_\_\_

AN ORDINANCE OF THE CITY OF BETHLEHEM,  
COUNTIES OF LEHIGH AND NORTHAMPTON,  
COMMONWEALTH OF PENNSYLVANIA, AMENDING  
ARTICLE 927 OF THE CODIFIED ORDINANCES  
ENTITLED SEWER RENTAL.

THE COUNCIL OF THE CITY OF BETHLEHEM HEREBY ORDAINS AS  
FOLLOWS:

SECTION 1. That Section 927.02 of the Codified Ordinances of the City of  
Bethlehem, which reads as follows:

927.02 GENERAL RATES OF RENTAL.

The City of Bethlehem hereby establishes the following rates governing the  
furnishing of sewer service with respect to properties inside and outside the City:

(a) The sewer charges for the City of Bethlehem shall be as listed below based  
on whether the billing is quarterly or monthly:

CUSTOMER CHARGES METER SIZE	MONTHLY	QUARTERLY
5/8"	8.05	24.15
3/4"	15.40	46.20
1"	29.95	89.84
1.5"	58.54	175.61
2"	93.92	
3"	192.87	
4"	302.21	
6"	603.05	
8"	1210.64	

All gallons used shall be charged as listed below:

RESIDENTIAL/RESALE

Each 1000 gallons            2.74

COMMERCIAL/INDUSTRIAL/INSTITUTIONAL/PUBLIC

Each 1000 gallons                      2.74

(b) The sewer charges for those properties in Hanover Township, Northampton County, who are direct service customer, i.e., charges to those customers who receive City of Bethlehem water service and billing statements for said service predicated on water meter reading shall be the same as those charged in 927.02 (a) above. Those properties not in the City of Bethlehem water service area that have water meters and readings supplied by others shall be the same as those listed in 927.02 (a) above. All properties not in the City of Bethlehem water service area and not having water meters shall be based on 32,000 gallons per quarter in accordance with the agreement dated 1 June 1967. All rates shall be increased by five (5%) percent for system maintenance of mains by agreement between the City of Bethlehem and the Township dated 16 April 2007. Therefore, the rates shall be as noted below:

CUSTOMER CHARGES METER SIZE	MONTHLY	QUARTERLY
5/8"	8.45	<del>25.36</del>
3/4"	16.17	<del>48.51</del>
1"	31.45	<del>94.34</del>
1.5"	61.47	
2"	98.62	
3"	202.51	
4"	317.32	
6"	633.20	
8"	1271.17	

All gallons shall be charged as listed below:

RESIDENTIAL/RESALE

Each 1000 gallons                      2.874

COMMERCIAL/INDUSTRIAL/INSTITUTIONAL/PUBLIC

Each 1000 gallons                      2.874

(c) A bulk service rate per 1000 gallons plus an annual capital payment where applicable for Hanover Township (Lehigh County), Borough of Hellertown, Borough of Fountain Hill, Bethlehem Township, Lower Saucon Township, Salisbury Township, Borough of Freemansburg, and the City of Allentown and Lower Nazareth Township shall be calculated annually by the Director of the Water and Sewer Resources Department based on the agreement between the City of Bethlehem and the respective municipality.

(d) All sanitary sewer services bills shall be subject to a penalty of one and one-half (1.50%) percent per month if not paid within twenty (20) calendar days from the date the bill is mailed.

Shall be amended to read as follows:

927.02 GENERAL RATES OF RENTAL.

The City of Bethlehem hereby establishes the following rates governing the furnishing of sewer service with respect to properties inside and outside the City:

(a) The sewer charges for the City of Bethlehem shall be as listed below based on whether the billing is quarterly or monthly:

CUSTOMER CHARGES METER SIZE	MONTHLY	QUARTERLY
5/8"	<u>8.86</u>	<u>26.58</u>
3/4"	<u>16.94</u>	<u>50.82</u>
1"	<u>32.94</u>	<u>98.82</u>
1.5"	<u>64.39</u>	<u>193.17</u>
2"	<u>103.31</u>	
3"	<u>212.16</u>	
4"	<u>332.43</u>	
6"	<u>663.36</u>	
8"	<u>1331.70</u>	

All gallons used shall be charged as listed below:

RESIDENTIAL/RESALE

Each 1000 gallons 3.014

COMMERCIAL/INDUSTRIAL/INSTITUTIONAL/PUBLIC

Each 1000 gallons 3.014

(b) The sewer charges for those properties in Hanover Township, Northampton County, who are direct service customer, i.e., charges to those customers who receive City of Bethlehem water service and billing statements for said service predicated on water meter reading shall be the same as those charged in 927.02 (a) above. Those properties not in the City of Bethlehem water service area that have water meters and readings supplied by others shall be the same as those listed in 927.02 (a) above. All properties not in the City of

Bethlehem water service area and not having water meters shall be based on 32,000 gallons per quarter in accordance with the agreement dated 1 June 1967. All rates shall be increased by five (5%) percent for system maintenance of mains by agreement between the City of Bethlehem and the Township dated 16 April 2007. Therefore, the rates shall be as noted below:

CUSTOMER CHARGES METER SIZE	MONTHLY	QUARTERLY
5/8"	<u>9.30</u>	<u>27.90</u>
3/4"	<u>17.79</u>	<u>53.37</u>
1"	<u>34.60</u>	<u>103.80</u>
1.5"	<u>67.62</u>	
2"	<u>108.48</u>	
3"	<u>222.76</u>	
4"	<u>349.05</u>	
6"	<u>696.52</u>	
8"	<u>1398.29</u>	

All gallons shall be charged as listed below:

RESIDENTIAL/RESALE

Each 1000 gallons 3.165

COMMERCIAL/INDUSTRIAL/INSTITUTIONAL/PUBLIC

Each 1000 gallons 3.165

(c) A bulk service rate per 1000 gallons plus an annual capital payment where applicable for Hanover Township (Lehigh County), Borough of Hellertown, Borough of Fountain Hill, Bethlehem Township, Lower Saucon Township, Salisbury Township, Borough of Freemansburg, and the City of Allentown and Lower Nazareth Township shall be calculated annually by the Director of the Water and Sewer Resources Department based on the agreement between the City of Bethlehem and the respective municipality.

(d) All sanitary sewer services bills shall be subject to a penalty of one and one-half (1.50%) percent per month if not paid within twenty (20) calendar days from the date the bill is mailed.

SECTION 2. That all Ordinances and parts of Ordinances inconsistent herewith be, and the same are hereby repealed.

Sponsored by \_\_\_\_\_

\_\_\_\_\_

PASSED finally in Council on the \_\_\_\_\_ day of \_\_\_\_\_, 20 .

\_\_\_\_\_  
President of Council

ATTEST:

\_\_\_\_\_  
City Clerk

This Ordinance approved this \_\_\_\_\_ day of \_\_\_\_\_, 20 .

\_\_\_\_\_  
Mayor