

CITY OF BETHLEHEM

DEPARTMENT OF WATER AND SEWER RESOURCES INTEROFFICE MEMORANDUM

TO: Adam Waldron, City Council President

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

RE: Proposed 2020 Sewer Rate Increase

DATE: October 2, 2019

In keeping with the long term financial management plan for the sewer operating and capital funds, I am recommending an 8% rate increase on sewer charges for all customer classes in the City of Bethlehem. This rate change would go into effect January 1, 2020 pending approval by City Council.

This same rate increase will apply to all Hanover Township – NC customers as well per our Sewer Rental Ordinance. See attached draft revision to Article 927 which reflects the recommended rate change. Bulk sewer rates for all other contributing municipalities will also increase, but those increases vary in proportion to their flows and pro-rated operating costs in accordance with the various inter-municipal agreements. In addition to bulk sewer rates, contributing municipalities make annual payments to offset debt service the City incurs for capital projects.

The sewer fund continues to experience relatively flat revenue growth and in many respects follows water consumption since billing for both water and sewer rely on water metering. To compensate for annual increases in O&M expenses against a stagnant revenue source, in our 5-year planning efforts we anticipate sewer rate increases every few years. Rate increases are also critical to ensure that the sewer capital program is adequately funded so that the City is not solely reliant on debt instruments such as bonds to fund capital projects.

Recent history of sewer rate increases:

2012 – 17% increase from \$2.04 to \$2.38/Tgal
2014 – 15% increase from \$2.38 to \$2.74/Tgal
2017 – 10% increase from \$2.74 to \$3.01/Tgal
2020 – 8% increase from \$3.01 to \$3.25/Tgal (proposed)

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. Over the past several years we have been successful at keeping expenses under control which is reflected in the reduced size of rate increases over time. It is recommended that modest rate increases be planned every few years to keep pace with inflationary pressures on O&M and capital expenses.

Summary of Proposed Sewer Rate Change

Average sewer bill for a typical residential household in City of Bethlehem

Based on 14,000 gallons per quarter and 5/8" meter

Current Rate

Consumption Charge	Meter Charge	Quarterly Bill	Annual Total
\$3.014/1000 gal	\$26.58	\$68.78	\$275.12

Proposed Rate (8% increase)

Consumption Charge	Meter Charge	Quarterly Bill	Annual Total
\$3.255/1000 gal	\$28.71	\$74.28	\$297.12

The increase for a typical residential customer will be \$5.50 per quarter (\$22.00 per year).

Our preliminary budget projections for 2020 with and without a rate increase reflect the following:

	<u>No Rate Increase</u>	<u>8% Rate Increase</u>
Revenue	\$16,400,000	\$17,625,000
O&M Expenditures	\$15,277,000	\$15,277,000
Net Operating Income	\$ 1,163,000	\$ 2,348,000

The Net Operating Income (NOI) is the capital appropriation transferred to the sewer capital fund. It is important to maintain a healthy NOI every year in order to fund much needed capital improvements at the waste water treatment plant and collection system.

Capital Fund

We are currently embarking on a review of the City's Act 537 Plan which will set the stage for the next phase of significant capital upgrades at the WWTP. While flows have remained steady, the plant's organic load capacity will need to be increased in order to keep up with demand from residential, commercial, and industrial development.

The 2019 Amended Budget for sewer capital includes \$12 million dollars in planned expenditures. Many of these projects, along with the funding, will carry-over into 2020. Revenue to fund these projects comes from two main sources: a \$5 million bond issue and annual capital appropriation from the operating fund. (A small percentage of funding also comes from tapping fees and state grant programs.)

In order to adequately fund these capital projects, an increase in capital appropriation is preferable to another bond issue in order to keep debt service payments to a manageable level. Debt service payments currently make up about 15% of sewer fund expenditures. By contrast, debt service in the water fund constitutes about 40% of the fund's expenditures. Without rate increases, we'd have to rely on borrowed money to fund the capital program which then incurs a higher debt service, and with flat revenue growth, this ultimately becomes an unsustainable financial position in the long run.

Council's consideration of this matter at your earliest convenience will be greatly appreciated. My goal is to submit the Ordinance revision for first and second readings at the regularly scheduled November 2019 Council meetings.

By: Edward J. Brescia

Copies to: R. Donchez, Mayor
W. Leeson, Solicitor
E. Evans
M. Sivak
C. Stoneback
J. Lawrence
File

BILL NO. ____ - 2019

ORDINANCE NO. 2019-_____

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

THE COUNCIL OF THE CITY OF BETHLEHEM DOES HEREBY ORDAIN AND ENACT THE FOLLOWING ORDINANCE:

SECTION 1. Article 927 of the City of Bethlehem Codified Ordinances relating to Sewer Rental, Section 927.02 relating to General Rates of Rental, is hereby amended to read as follows (underlined text denotes additions, whereas ~~strikeouts~~ denote deletions):

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"	8.86	<u>9.57</u>	26.58	<u>28.71</u>
3/4"	16.94	<u>18.30</u>	50.82	<u>54.89</u>
1"	32.94	<u>35.58</u>	98.82	<u>106.73</u>
1.5"	64.39	<u>69.54</u>	193.17	<u>208.62</u>
2"	103.31	<u>111.57</u>		
3"	212.16	<u>229.13</u>		
4"	332.43	<u>359.02</u>		
6"	663.36	<u>716.43</u>		
8"	1331.70	<u>1438.24</u>		

All gallons used shall be charged as listed below:

RESIDENTIAL/RESALE

Each 1000 gallons ~~3.014~~ 3.255

COMMERCIAL/INDUSTRIAL/INSTITUTIONAL/PUBLIC

Each 1000 gallons ~~3.014~~ 3.255

(Ord. 4234. Passed 12/16/03; Ord. 4333. Passed 8/2/05; Ord. 4372. Passed 2/21/06; Ord. 2012-4. Passed 2/21/12; Ord. 2014-3. Passed 2/18/14; Ord. 2016-33. Passed 11/15/16.)

(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"	9.30	<u>10.05</u>	27.90	<u>30.14</u>
3/4"	17.79	<u>19.21</u>	53.37	<u>57.63</u>
1"	34.60	<u>37.35</u>	103.80	<u>112.06</u>
1.5"	67.62	<u>73.02</u>		<u>219.05</u>
2"	108.48	<u>117.15</u>		
3"	222.76	<u>240.59</u>		
4"	349.05	<u>376.98</u>		
6"	696.52	<u>752.25</u>		
8"	1398.29	<u>1510.15</u>		

All gallons shall be charged as listed below:

RESIDENTIAL/RESALE

Each 1000 gallons ~~3.165~~ 3.418

COMMERCIAL/INDUSTRIAL/INSTITUTIONAL/PUBLIC

Each 1000 gallons ~~3.165~~ 3.418

(Ord. 4333. Passed 8/5/05; Ord. 4372. Passed 2/21/06; Ord. 2012-4. Passed 2/21/12. Ord. 2014-3. Passed 2/18/14; Ord. 2016-33. Passed 11/15/16.)

(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. (Ord. 2015-14. Passed 3/17/15; Ord. 2016-33. Passed 11/15/16.)

(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. 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 _____, 2019.

President of Council

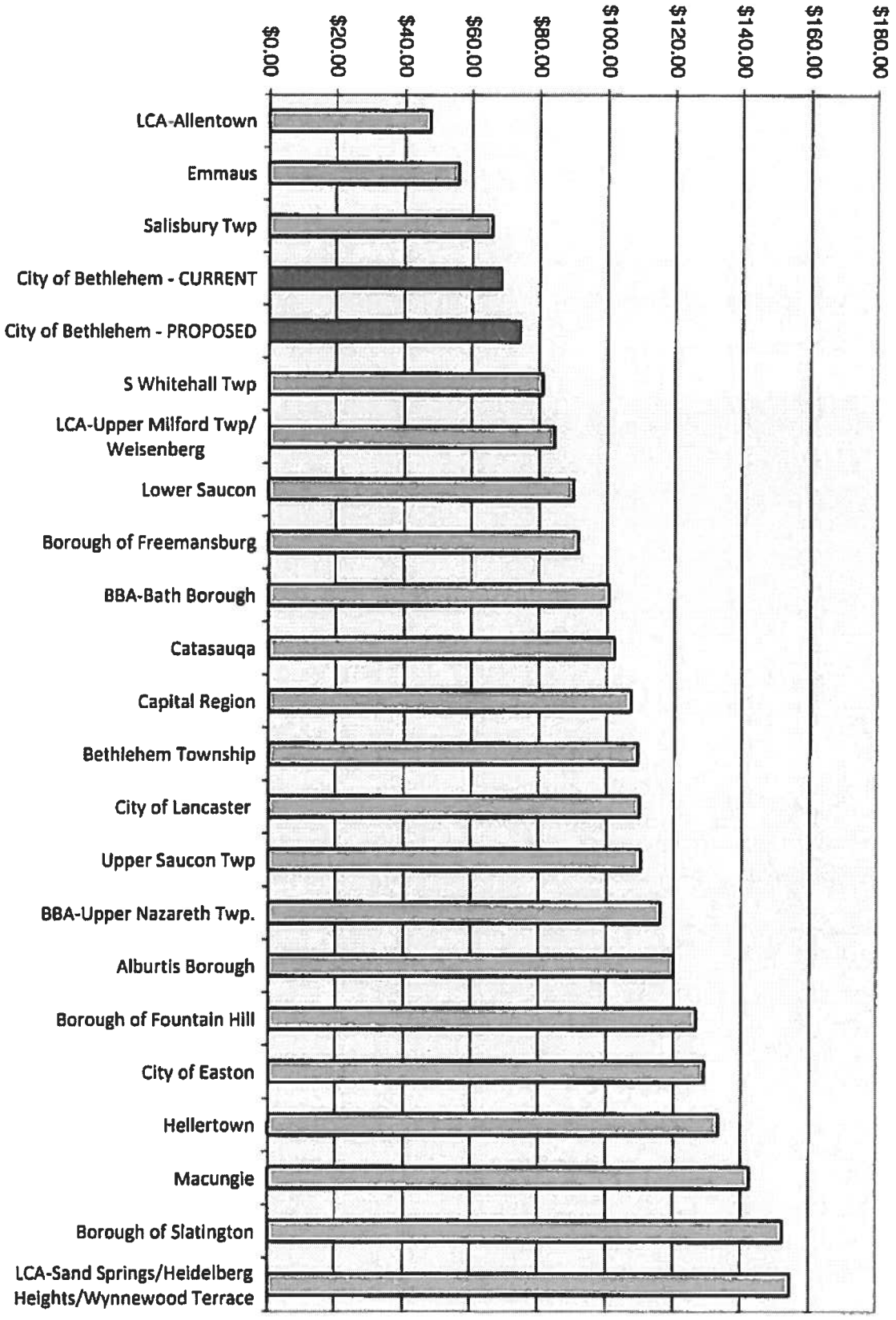
ATTEST:

City Clerk

This Ordinance approved this _____ day _____, 2019.

Mayor

**Sewer Rate Comparison
Residential Quarterly Average**



ARTICLE 927

Sewer Rental

- 927.01 Annual charge.
- 927.02 General rates of rental.
- 927.03 Properties using other than City water.
- 927.04 Water not discharged into City's sanitary sewers.
- 927.05 Measuring devices.
- 927.06 Time and method of payment.
- 927.07 Apportionment.
- 927.08 Administration.
- 927.09 Collection of delinquent rentals.
- 927.10 Properties not affected.
- 927.11 Unpolluted drainage excluded from sewer system.
- 927.12 Required control manhole.
- 927.13 Special arrangements for unusual industrial waste.
- 927.14 Right of inspection, testing, etc.
- 927.15 Required notice of change in industrial wastes.
- 927.99 Penalty.

CROSS REFERENCES

- Power to charge rental - See 3rd Class §3211 (53 P.S. §38211)
- Collection of sewer rentals - See 3rd Class §3214 (53 P.S. §38214)
- Department of Public Works - See ADM. Art. 107
- Water regulations - See S.U. & P.S. Art. 911
- Water rates and charges - See S.U. & P.S. Art. 913
- Sanitary sewers - See S.U. & P.S. Art. 921
- Swimming pools - See BLDG. Art. 1711

927.01 ANNUAL CHARGE.

There is imposed an annual sewer rental or charge for the use of the sewers, sewage system and sewage treatment works of the City upon the owners of properties served thereby, at the rates hereinafter set forth. (Ord. 1087 §1. Passed 7/25/50.)

927.02 GENERAL RATES OF RENTAL.

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(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.

927.03 PROPERTIES USING OTHER THAN CITY WATER.

For a property which uses water, all or part of which is from a source other than the City's water supply system, there shall be a sewer rental, separate from and in addition to any sewer rental based on the consumption of water from the City's water supply system. Such separate or additional sewer rental shall be measured by the quantity of water from the source other than the City's water supply system which is discharged into the City's sewers from such property.

The owner of each such property shall install, without cost to the City, meters purchased from the City to measure the quantity of water received from other than the City's water supply system and discharged into the City's sewers. No meter shall be installed or be used for such purpose without the approval of the Director of Water and Sewer Resources. The Director shall certify to the City Treasurer the ferrule size through which each meter so used would customarily be supplied with water in Bethlehem, and the sewer rental based upon the water received from other than the City water supply system shall be the same in amount as is required to be paid by the owner of a metered property receiving the same quantity of water from the City's water supply system and having the certified size of meter.

If the owner of the property fails to install an approved meter, the property owner shall be billed on a flat rate basis of 32,000 gallons per quarter. (Ord. 3030. Passed 10/15/85.)

927.04 WATER NOT DISCHARGED INTO CITY'S SANITARY SEWERS.

Whenever a property upon which a sewer rental is imposed uses water from the City's water supply system for an industrial or commercial purpose such that the water so used is not polluted to an extent that its discharge into storm sewers is objectionable, and is not discharged into the sanitary sewerage system of the City, the quantity of water so used and not discharged into the City's sanitary sewers shall be excluded in determining the sewer rental of such property, provided:

(a) The quantity of water so used and not discharged into the City's sewers is measured by a device approved by the Director of Water and Sewer Resources and installed without cost to the City, and

(b) The water supply of such property is metered and the owner pays for the water at meter rates.

The sewer rental based upon the consumption of City water to be paid by the owner of the property shall be computed at the rates specified in Section 927.02 for a metered property having the same size meter as such property and using a quantity of water equal to the total quantity of water furnished the property by the City, less the quantity not discharged into the City's sanitary sewers.

However, when, in the opinion of the Director of Water and Sewer Resources, it is not practical to install a measuring device to continuously determine the quantity of water

not discharged into the City sanitary sewers, the Director shall determine periodically, in such manner and by such method as he/she may prescribe, the percentage of metered water discharged into the City sewers; the quantity of water used to determine the sewerage rental shall be the percentage so determined of the quantity measured by the water meter. Any dispute as to the estimated amount shall be submitted to Council after notice of the estimate and Council's decision on the matter shall be final for the current year. (Ord 1087 §4. Passed 7/25/50.)

927.05 MEASURING DEVICES.

All meters or other measuring devices installed or required to be used under the provisions of this article shall be under the control of the Director of Water and Sewer Resources. The owner of the property upon which any such measuring device is installed shall be responsible for its maintenance and safekeeping. All repairs thereto shall be made at the owner's cost, whether such repairs are made necessary by ordinary wear and tear or by other causes. Bills for such repairs, if made by the City, shall be due and payable at the same time, shall be collected in the same manner and shall be subject to the same penalties as are the bills for repairs of water meters. (Ord. 1087 §5. Passed 7/25/50.)

927.06 TIME AND METHOD OF PAYMENT.

All sewer rentals shall be due and payable at the same time that water rentals are now due and payable. They shall be included in the same bills and shall be collected at the same times and in the same manner and be subject to the payment of sewer rents without regard to the source of the water used by them. (Ord. 1087 §7. Passed 7/25/50.)

927.07 APPORTIONMENT.

Whenever sewer service to any property begins after the first day or terminates before the last day of any year, the sewer rental for such property for such year shall be for that portion of the year during which the property is served. However, in making such apportionment, a fraction of a month amounting to one-half or more of a month shall be counted a full month and a fraction of a month amounting to less than one-half of a month shall be disregarded. (Ord. 1087 §8. Passed 7/25/50.)

927.08 ADMINISTRATION.

The City Treasurer is charged with the duty of collecting all sewer rents and is authorized to adopt such regulations with respect thereto as may in his/her discretion seem fit and proper, and the Department of Water and Sewer Resources shall provide all information required to assist the Treasurer in the prompt collection of rentals. (Ord. 3030. Passed 10/15/85.)

927.09 COLLECTION OF DELINQUENT RENTALS.

(a) In-City Customers - Delinquent accounts placed for collection shall be subject to the penalties set forth in Section 927.02 together with costs of collection and reasonable attorney's fees.

(b) Out-of-City Customers - It shall be the duty of the Bureau of Law, when requested by the Department of Water and Sewer Resources, to take such action as may be authorized by law or ordinance for the collection of delinquent rentals, including any court costs deemed appropriate by a court of jurisdiction. (Ord. 3489. Passed 8/18/92.)

927.10 PROPERTIES NOT AFFECTED.

No sewer rental is imposed on properties outside the City from which sewage and other liquid wastes are discharged into the sewers of the City under an agreement between the City of Bethlehem and any other political subdivision of the Commonwealth, nor upon properties within the City where sewer facilities are not available.

927.11 UNPOLLUTED DRAINAGE EXCLUDED FROM SEWER SYSTEM.

Storm water and all other unpolluted drainage, including cooling water, shall be excluded from the sanitary sewer system and discharged into such sewers or to a natural outlet or stream in such a manner that will be noninjurious to the sewer or receiving body of water as approved by the Director of Water and Sewer Resources. (Ord. 3030. Passed 10/15/85.)

927.12 REQUIRED CONTROL MANHOLE.

When required by the Director of Water and Sewer Resources, the owner of any property served by a building sewer carrying industrial waste shall install a suitable control manhole in the building sewer to facilitate observation, sampling and measurement of the wastes. Such manhole, when required, shall be accessible and safely located and shall be constructed in accordance with plans approved by the Director. The manhole shall be installed by the owner at his/her expense and shall be maintained by him/her so as to be safe and accessible at all times. (Ord. 1087 §14. Passed 7/25/50.)

927.13 SPECIAL ARRANGEMENTS FOR UNUSUAL INDUSTRIAL WASTE.

No statement contained in this Article shall be construed as preventing any special arrangement or agreement between the City and any industrial concern whereby an industrial waste of unusual strength or character may be accepted by the City for treatment, subject to payment therefor by the industrial concern. (Ord. 1087 §15. Passed 7/25/50.)

927.14 RIGHT OF INSPECTION, TESTING, ETC.

The Director of Water and Sewer Resources and/or his/her duly authorized representatives shall be permitted to enter upon all properties for the purpose of inspection, observation, measurement, sampling and testing, in accordance with the provisions of this Article. (Ord. 1087 §15. Passed 7/25/50.)

927.15 REQUIRED NOTICE OF CHANGE IN INDUSTRIAL WASTES.

Any industry which is connected to the sewer system, and is discharging industrial wastes thereto, and shall change its methods of operation so as to alter the type of wastes previously discharged, shall notify the Director of Water and Sewer Resources ten days previous to such change, so that the City's sewage treatment plant chemist, his/her qualified assistants, or other City designees can sample the waste immediately after the change takes place and determine whether or not the new waste is injurious to the sewer system. Such industrial discharges are regulated under the industrial pretreatment regulations covered in Article 923. (Ord. 3030. Passed 10/15/85.)

927.99 PENALTY.

(a) Any person who violates any provision of this Article shall be subject to the following penalties:

- (1) First violation - A fine of \$200.00, or thirty days imprisonment, or both;
- (2) Second violation - A fine of \$500.00, or sixty days imprisonment, or both;
- (3) Third and each subsequent violation - A fine of \$1,000.00, or ninety days imprisonment, or both.

(b) This Article and the foregoing penalties shall not be construed to limit or deny the right of the City or any person to such equitable or other remedies as may otherwise be available with or without process of law, including payment of damages to the City by any person causing damage or injury to the sewer system. (Ord. 3030. Passed 10/15/85; Ord. 3242. Passed 2/7/89; Ord. 3940. Passed 3/2/99.)