



AGENDA
FINANCE COMMITTEE
September 22, 2022 at 10:00 AM

Call to Order

Approval of Minutes

Old Business

- [1.](#) Water/Sewer Utility Rates

New Business

- [2.](#) Preliminary Close FY22

City Manager Comments

Adjournment



City of Tybee Island

Memorandum

To: Finance Committee
From: Jen Amerell, Finance Director *JRA*
Date: September 14, 2022
Re: Water / Sewer Utility Rates

Background

The Water / Sewer Utility Fund is a separate fund that accounts for the delivery of water and sewer services to the property owners on Tybee Island. All activities necessary to provide such services are accounted for in this fund. Unlike the City's general fund, an enterprise fund is a self-supporting government fund that sells goods and services to the public for a fee.

A utility rate is separated into two factors, fixed and variable rates. Fixed costs are incurred regardless of consumption; it is the cost simply allowing a property unit to have the ability to use and dispose of water. The objective of the variable rate is to fund all the costs associated with using the system. Variable rates are based on usage, the more water consumed the more resources used.

Council approved the current water/sewer rate structure in May 2021, with an effective date of September 1, 2021. Revisions to the City's rate structure were necessary to address the needs of failing infrastructure and a depleted fund balance. The budget and five year CIP is built on the current rate structure. The revisions to the rate structure included the following:

1. Reduce and simplify the number of fixed rate classes
2. Eliminate zero charge for usage per unit
3. Establish a uniform 5,000 gallon usage tier
4. Establish a peak season from June 1 to August 31
5. Introduce a 25% premium for usage over 10,000 during peak season
6. Replenish fund balance of \$250,000 annually
7. Annual increase to fixed and variable rates beginning with fiscal year 2023 based on 5 year CIP plan and annual budget requirements

Background (continued)

In 2008, the City went through a rate study and restructure to address the needs of the Utility. The rate restructure of 2008, beginning in 2009, created a tiered usage system and established a credit of 3,000 gallons. Prior to 2009 there was no credit for usage, and a rate was charged for all consumption. The intent of the 3,000 gallon credit was to reduce the impact of the rate increase on single family homes, since the average single family home averages around 3,000 gallons of water consumed per month. An adverse effect of how the credit was set-up resulted in hotel/motels and other multi-family units reaping more of the the benefit because the credit was attached to the unit, rather than an address. This resulted in an overall credit of much more than 3,000 gallons per month. Below is an example of multi-unit properties and a 12 month look back analysis of actual gallons used, and the gallons exempt from any usage charge.

Units	Gallons Exempt		Actual Gallons Used	
	Monthly	Annual	Avg Monthly	Annual
16	48,000	576,000	50,000	600,000
1	3,000	36,000	103,083	1,237,000
62	186,000	2,232,000	245,750	2,949,000
32	96,000	1,152,000	88,250	1,059,000
61	183,000	2,196,000	151,917	1,823,000
24	72,000	864,000	71,333	856,000
23	69,000	828,000	48,333	580,000
37	111,000	1,332,000	122,667	1,472,000
8	24,000	288,000	40,917	491,000
204	612,000	7,344,000	132,417	1,589,000
Total Gallons	1,404,000	16,848,000	1,054,667	12,656,000
Monthly Gallons Exempt over Actual Used			349,333	

Request

The City was approached by various owners/managers of the Hotels/Motels on the Islands to adjust the usage rate paid to a flat rate of \$6.40, which is the current rate for consumption of 0-5,000 gallons. It is the belief that the rate of \$6.40 would most closely mimic a scenario in which each room was individually metered for usage. A copy of request is attached.

Conclusion

The City's budget and five year CIP is built on the current rate structure. The estimated annual revenue lost from requested rate would be approximately \$60,000 (loss was calculated based on properties in request, therefore actual loss could be higher). The Water/Sewer budget is conservative, built with the intention of paying for current operating expenses with current operating revenue as well as replenishing a depleted fund balance. The Water/Sewer Utility recently issued \$4 million in debt to fund the various necessary projects on the Island. \$60,000 less in anticipated revenue would be \$60,000 of expenses cut or \$60,000 of annual projects not completed.

Conclusion (continued)

Fiscal year 2022 has not been closed, but FY21 ended with a decrease in Water/Sewer Utility cash of \$1.2 million, a revenue loss of \$75,000 and an ending unrestricted fund balance of \$400,000.

Multi-unit properties have seen the most impact from the current rate restructure specifically due to previously receiving the most benefit of the 3,000 gallon credit. There is no change to the structure where higher users are charged a higher user rate. This is the same under the current structure as well as how it was under the prior structure. If the City did not establish a credit for water usage, the increase in rates would be less significant, as it will be going forward.

Recommendation

Staff recommends no change to current rate structure and/or utility rates.

Attachments

Example 1 – Summary of City's prior utility rates and current rates

Example 2 – Summary of three bill scenarios for a multiple unit property

Example 3 – Letter to Council from hotel property owners/managers

EXAMPLE 1
CITY OF TYBEE ISLAND - PRIOR & CURRENT RATE STRUCTURES

Fixed:	REGULAR SEASON RATES - PRIOR			REGULAR SEASON RATES - CURRENT			PEAK SEASON RATES - CURRENT		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Commercial - Multi	12.69	29.01	41.70	-	-	-	-	-	-
Additional Units	8.17	8.17	16.34	-	-	-	-	-	-
Commercial - Single Base	12.69	29.01	41.70	-	-	-	-	-	-
Bed & Breakfast Base	12.69	29.01	41.70	-	-	-	-	-	-
Municipal Base	12.69	29.01	41.70	-	-	-	-	-	-
Residential - Single	11.15	25.53	36.68	-	-	-	-	-	-
Residential - Multi	11.15	25.53	36.68	-	-	-	-	-	-
Senior Base	5.37	12.94	18.31	-	-	-	-	-	-
Residential	-	-	-	15.00	15.00	30.00	15.00	15.00	30.00
Commercial	-	-	-	15.00	15.00	30.00	15.00	15.00	30.00
Commercial - Multi 10	-	-	-	7.50	7.50	15.00	7.50	7.50	15.00
Public Authority	-	-	-	15.00	15.00	30.00	15.00	15.00	30.00

Consumption:	REGULAR SEASON RATES - PRIOR			REGULAR SEASON RATES - CURRENT			PEAK SEASON RATES - CURRENT**		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
0 - 3,000 Gallons	-	-	-	NA	NA	NA	NA	NA	NA
0 - 5,000 Gallons	NA	NA	NA	3.20	3.20	6.40	3.20	3.20	6.40
3,000 - 5,000 Gallons	3.50	3.50	7.00	NA	NA	NA	NA	NA	NA
5,001 - 10,000 Gallons	3.80	3.80	7.60	3.50	3.50	7.00	3.50	3.50	7.00
10,000 - 20,000 Gallons	4.09	4.09	8.18	NA	NA	NA	NA	NA	NA
10,001 - 15,000 Gallons	NA	NA	NA	4.00	4.00	8.00	5.00	5.00	10.00
15,001 - 20,000 Gallons	NA	NA	NA	4.50	4.50	9.00	5.63	5.63	11.26
20,001 Gallons +	4.38	4.38	8.76	5.15	5.15	10.30	6.44	6.44	12.88

Peak Season:
**25% Premium on consumption over 10,000 gallons for the months June, July, August

Example 2 Multiple Unit Utility Bill

Summary:

To present accurate information comparing rates prior to restructure and after, staff used the following examples and used 3 months actual consumption from a hotel on the island. Please note, the hotel has 37 units. Prior to the rate restructure, the City did not bill for 3,000 gallons per unit which equated to 111,000 unbilled gallons of usage per month.

Bill #1: Water/Sewer bill calculation assuming rates prior to restructure in Sept 2021, WITH 3,000 gallon per unit exemption
 Bill #2: Water/Sewer bill calculation assuming rates prior to restructure in Sept 2021, WITHOUT 3,000 gallon per unit exemption
 Bill #3: Water/Sewer bill calculation assuming current rates

	September 2021			March 2022			June 2022		
	Bill #1	Bill #2	Bill #3	Bill #1	Bill #2	Bill #3	Bill #1	Bill #2	Bill #3
# of Units	37	37	37	37	37	37	37	37	37
Gallons Used	114,000	114,000	114,000	101,000	101,000	101,000	176,000	176,000	176,000
Gallons - Used & Not Billed	111,000	-	-	101,000	-	-	111,000	-	-
Gallons - Used & Billed	3,000	114,000	114,000	-	101,000	101,000	65,000	176,000	176,000

	Usage			Usage			Usage		
	0 - 3,000 Gallons	3,000 - 5,000 Gallons	5,001 - 10,000 Gallons	0 - 3,000 Gallons	3,000 - 5,000 Gallons	5,001 - 10,000 Gallons	0 - 3,000 Gallons	3,000 - 5,000 Gallons	5,001 - 10,000 Gallons
0 - 3,000 Gallons	-	NA	NA	-	NA	NA	-	3,000	NA
3,000 - 5,000 Gallons	2,000	2,000	NA	NA	5,000	5,000	NA	NA	5,000
5,001 - 10,000 Gallons	1,000	5,000	5,000	-	2,000	NA	2,000	2,000	NA
10,000 - 20,000 Gallons	-	10,000	NA	-	5,000	5,000	5,000	5,000	5,000
10,001 - 15,000 Gallons	NA	NA	NA	-	10,000	NA	10,000	10,000	NA
15,001 - 20,000 Gallons	NA	NA	5,000	NA	NA	5,000	NA	NA	5,000
20,001 Gallons +	-	94,000	94,000	-	NA	5,000	NA	NA	5,000
Total Gallons Billed	3,000	114,000	114,000	-	101,000	101,000	48,000	156,000	156,000
							65,000	176,000	176,000

	Usage Billed			Usage Billed			Usage Billed		
	NA \$	11 \$	NA	NA \$	11 \$	NA	NA \$	11 \$	NA
0 - 3,000 Gallons	NA	NA	NA	NA	NA	NA	NA	NA	NA
3,000 - 5,000 Gallons	NA	NA	32	NA	NA	32	NA	NA	32
5,001 - 10,000 Gallons	\$ 14	\$ 14	NA	-	\$ 14	NA	\$ 14	\$ 14	NA
10,000 - 20,000 Gallons	\$ 8	\$ 38	35	-	\$ 38	35	\$ 38	\$ 38	35
10,001 - 15,000 Gallons	-	\$ 82	NA	-	\$ 82	NA	\$ 41	\$ 82	NA
15,001 - 20,000 Gallons	NA	NA	40	NA	NA	40	NA	NA	50
20,001 Gallons +	-	\$ 823	968	NA	NA	45	NA	NA	56
Total Usage Billed	\$ 22	\$ 968	\$ 1,120	-	\$ 710	\$ 834	\$ 420	\$ 1,367	\$ 2,009
% Difference from Current	5077%	16%	-	98530%	16%	986	325%	44%	2,183

	Fixed Billed			Fixed Billed			Fixed Billed		
	\$ 625	\$ 625	\$ 555	\$ 625	\$ 625	\$ 555	\$ 625	\$ 625	\$ 555
Fixed Rate - Commercial	\$ 625	\$ 625	\$ 555	\$ 625	\$ 625	\$ 555	\$ 625	\$ 625	\$ 555
Total Fixed Billed	\$ 625	\$ 625	\$ 555	\$ 625	\$ 625	\$ 555	\$ 625	\$ 625	\$ 555
% Difference from Current	-11%	-11%	-	-11%	-11%	-	-11%	-11%	-

	TOTALS			TOTALS			TOTALS		
	\$ 647	\$ 1,593	\$ 1,675	\$ 625	\$ 1,479	\$ 1,541	\$ 1,139	\$ 2,136	\$ 2,738
Total Usage & Fixed	\$ 647	\$ 1,593	\$ 1,675	\$ 625	\$ 1,479	\$ 1,541	\$ 1,139	\$ 2,136	\$ 2,738
\$ Difference from Current	1,028	82	-	916	62	-	1,599	601	-
% Difference from Current	159%	5%	-	146%	4%	-	140%	28%	-

EXAMPLE 3

5/23/200

To: Mayor Shirley Sessions, Tybee City Council, City Manager Shawn Gillen, et al

On behalf of the undersigned hotel properties on Tybee Island, we are formally requesting consideration be given to the following proposal on the billing of water and sewage for hotel properties on Tybee Island.

Under the new water billing system adopted by the City of Tybee Island in 2021, the hotel properties on the island saw immediate increases in their water bills exceeding 200% in many cases (see attached). As hotel rooms are not individually metered in the way an individual family home, or many condominiums are set up. As a result, there is no means by which a hotel may avoid falling into the highest rate tier, even if the property implemented water conservation policies and technologies, as many already do. This new system creates a pricing structure in which there is no incentive for implementing these conservations efforts, presumably one of the primary goals of said system. If each hotel room were metered individually, hotel managers could implement these water conservation techniques to reduce usage and see a reduction in their rates, but that is not feasible. Under the prior billing system, hotels were not only charged at a lower standard rate but were also credited with their first 3000 gallons per room not being counted toward their total consumption. These changes come at a particularly poor time for hoteliers who were shut down in 2020 due to COVID, with many having to deplete their reserve savings to survive and now face increasing competition from alternative lodging options that do not have to pass on these increased costs.

We ask that the council consider our request to permanently charge hotel properties at the \$6.40 Tier 1 rate. It is our belief, after discussions with city officials, that this rate would most closely mimic a scenario in which each room was individually metered for usage thus most accurately reflect billing by actual water consumption, the desired outcome. Hotel properties would still be charged for every drop of water they use under this policy, without the former privilege of having 3,000 gallons per room "waived" every month from their consumption. Hotels will still see an increase in their bills to ensure we pay our fair share, just not the unintended and excessive 100-200% increase occurring currently.

We do not anticipate any adverse effects from this policy change relating to the city's bonding authority. Since the city did not anticipate the degree to which the new system would increase the rates for hotel properties, we do not think those increases were factored into the revenue projections by the city. From the municipal perspective, the amounts are miniscule when compared to total water revenues for the city but quite large from the perspective of the individual hotels.

The following hotel property owners/managers have reviewed our proposal and endorsed it:

Dillon Patel & Akash Patel: Atlantis Inn, Admiral's Inn, Sea & Breeze Hotel, Dunes Inn, Sandcastle Inn
Preet Patel: Sky Suites
Corey Jones: Royal Palm Inn
Greg Stoeffler: DeSoto Beach Hotel Properties, Georgianne Inn & Suites
Brett Loehner, Hotel Tybee

We thank you for the consideration of our request.



City of Tybee Island

Memorandum

To: Finance Committee
From: Jen Amerell, Finance Director
Date: September, 2022
Re: Preliminary Close FY22

JRA

Overview

Finance is in the initial stages of year-end close and preparation of the FY22 audit in November. It is anticipated the General Fund will end the year in another surplus. This year's surplus is earmarked to fund the various General Fund capital projects in FY23. Current projections of year-end surplus is \$2.5 million.

Below are a few of the significant budget to actual highlights for the fiscal year ending June 30, 2022.

General Fund Revenue Highlights:

- Sales & use tax revenue \$500,000 more than budget
- Parking revenue \$800,000 more than budget
- General Fund unrestricted portion of room tax revenue \$1.6 million more than budget
- Unbudgeted General Fund room tax revenue restricted for beach nourishment of \$800,000

General Fund Expenditure Highlights:

- Public Safety (Fire, Police, CE) dept. expenditures \$450,000 less than budget