

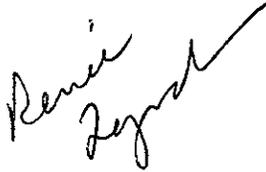
9. **OLD BUSINESS**
 - b. Utilities Department
 3. Next steps and Notice for sewer rate adjustment

August 1, 2006

MEMORANDUM

TO: City Manager

FROM: Finance Director



RE: Rates to fund Sanibel Sewer System Proposed Budget for FY 2006-07

The proposed fiscal year 2007 Operating Budget for the Sanibel Sewer System reflects a 9.46% increase in operating expenses and a 19.85% decrease in capital expenses. The increase to operating expenses includes the net reduction of one (1) full-time equivalent (FTE) position plus a \$130,000 increase in repair and maintenance, \$47,000 increase in operating supplies due to increased cost of odor control chemicals and chlorine and \$65,200 increase for the costs of sludge hauling. Capital items included in the FY 2007 Budget is as follows:

Rehab Wulfert Operations Building	\$ 10,000
Inflow & Infiltration Corrective Improvements	250,000
Misc system & plant improvements	90,000
Odor Control Media Replacement	80,000
Replacement & Standby Pumps	10,000
Emergency Collection By-pass Pump	25,000
Pressure Washer	30,000
Portable generators	<u>26,000</u>
TOTAL CAPITAL	<u>\$ 521,000</u>

The rates established to fund the FY 2007 proposed budget included two alternatives to begin to schedule the repayment of the \$3,500,000 debt owed to the General Fund. The following Table summarizes the comparative budget and associated rates for the 20-year repayment schedule:

Sanibel Sewer System Budget			
<u>20-Year Repayment</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>% Change</u>
Operating Expenses	\$ 2,692,410	\$ 2,947,128	9.46%
Capital Expenses	<u>650,062</u>	<u>521,000</u>	(19.85)%
Total	3,342,472	3,468,128	3.76%
Debt Service	3,697,866	4,833,400	30.71%
Reserves	239,634	362,272	51.18%
Repayment of General Fund Loan	-	<u>175,000</u>	20-Year Repayment
TOTAL BUDGET	<u>\$ 7,279,972</u>	<u>\$ 8,838,800</u>	
Monthly Rate	<u>\$ 39.61</u>	<u>\$ 45.55</u>	

This Table summarizes the comparative budget and associated rates for the 10-year repayment schedule:

Sanibel Sewer System Budget			
<u>10-Year Repayment</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>% Change</u>
Operating Expenses	2,692,410	2,947,128	9.46%
Capital Expenses	<u>650,062</u>	<u>521,000</u>	(19.85)%
Total	3,342,472	3,468,128	3.76%
Debt Service	3,697,866	4,833,400	30.71%
Reserves	239,634	362,272	51.18%
Repayment of General Fund Loan	-	<u>350,000</u>	10-Year Repayment
TOTAL BUDGET	<u>\$ 7,279,972</u>	<u>\$ 9,013,800</u>	
Monthly Rate	<u>\$ 39.61</u>	<u>\$ 47.53</u>	

The proposed FY 2007 budget has been reviewed and reduced to the bare minimum while still providing safe and efficient operations and continuing to fund reserves for disasters, renewal and replacement and rate stabilization.

On August 15th, Council will consider two (2) resolutions. One to establish a formal repayment schedule of the \$3.5 million loan from the General Fund; the second to establish rates for the fiscal year beginning October 1, 2006.

Notice of the rate hearing, pursuant to Florida Statutes, is being provided with the quarterly billing to be mailed on Wednesday, August 2, 2006.

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TABLE 4
PROPOSED BUDGETED FISCAL YEAR 2006/07 REQUIREMENTS

	<u>Donax</u>	<u>Wulfert</u>	<u>Total</u>
<u>Operating & Maintenance (O&M) Expenses</u>			
Salaries & Benefits	\$ 1,069,268		\$ 1,069,268
Professional Services	223,000	15,000	238,000
Accounting And Auditing			-
Other Contractual Services	325,900	11,600	337,500
Sludge Hauling			-
Travel & Per Diem	11,510	3,280	14,790
Communications Services	21,340	500	21,840
Transportation	4,500	320	4,820
Utilities	265,360	16,440	281,800
Rental & Leases	28,600	1,000	29,600
Insurance	10,000	5,000	15,000
Repair & Maintenance	263,280	22,900	286,180
Printing	3,500		3,500
Promotional Activities	2,000		2,000
Other Current Charges	353,590	23,700	377,290
Office Supplies	3,750	-	3,750
Operating Supplies	236,250	11,940	248,190
Road Materials & Supplies	-	-	-
Books, Publications, Subscriptions	13,600	-	13,600
Administrative Overhead Transfer			-
Contingency	-	-	-
TOTAL O&M EXPENSE	\$ 2,835,448	\$ 111,680	\$ 2,947,128