


WATER & SEWER REVIEW

Sea Isle City, NJ

August, 2009



WATER & SEWER REVIEW

- RATE STRUCTURE REVIEW
 - ALLOCATION OF COST TO SUPPORT WATER & SEWER OPERATIONS
 - FLOW REDUCTION INITIATIVES
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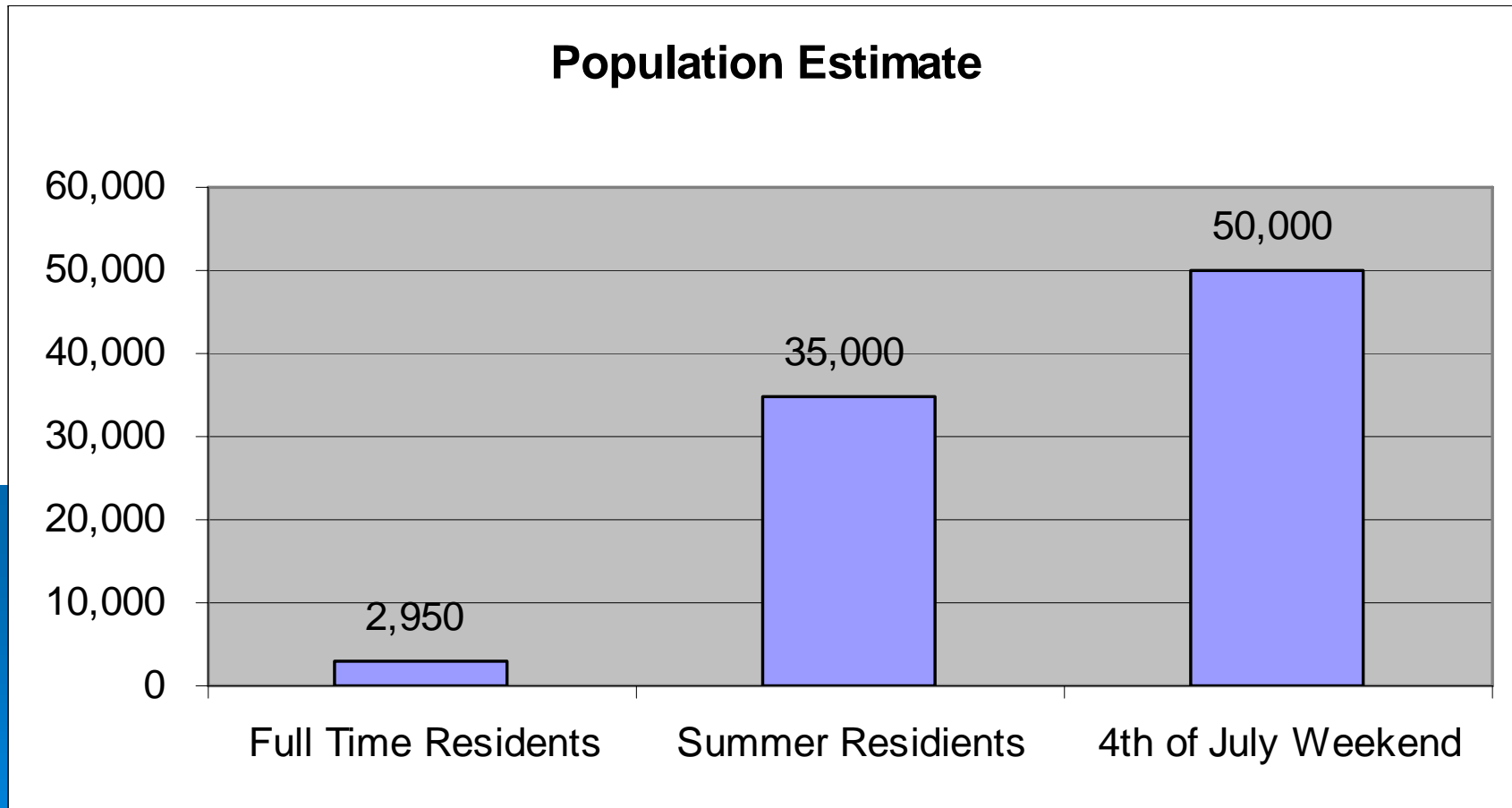
BACKGROUND

- IT WAS DETERMINED DURING OUR BUDGET REVIEW PROCESS THAT WE SHOULD REVIEW THE FOLLOWING:
 - METHODOLOGY AND COST DRIVER FOR DETERMINING OUR W&S RATES
 - REVIEW THE PROCESS FOR COST ALLOCATION FROM AREAS THAT SUPPORT WATER & SEWER OPERATIONS
 - COST REDUCTION WITH THE PRIMARY EMPHASIS ON FLOW REDUCTION.

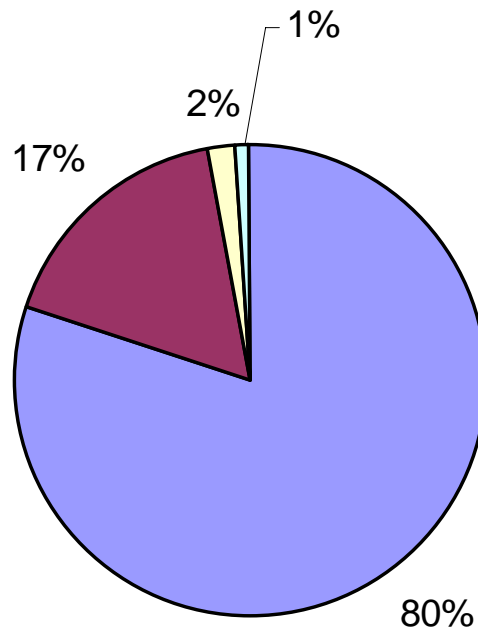
PRINCIPLES

- PRINCIPLES THAT MUST BE CONSIDERED IN ALL RATE DISCUSSIONS ARE AS FOLLOWS:
 - SERVICE MUST BE PROVIDED ON DEMAND
 - THERE SHOULD BE A FAIR DISTRIBUTION OF COSTS TO ALL CUSTOMERS.
 - PROCESS MUST HAVE A HIGH DEGREE OF RELIABILITY THAT THE UTILITY WILL RECOVER ALL EXPENDITURES WITHIN A BUDGET YEAR.

WATER & SEWER PROFILE

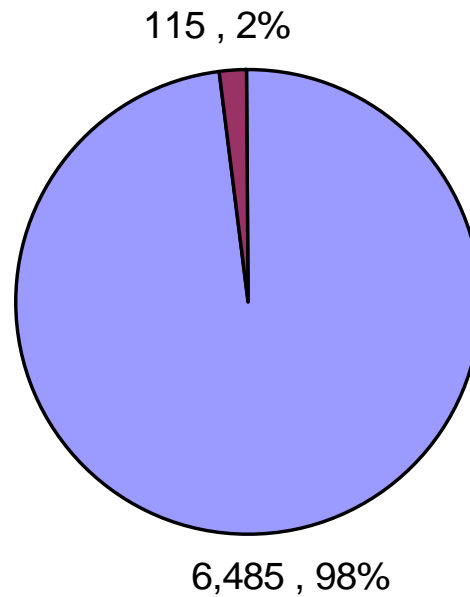


Customer Mix



■ Part Time Residential ■ Full Time Residential ■ Commercial ■ City Facilities

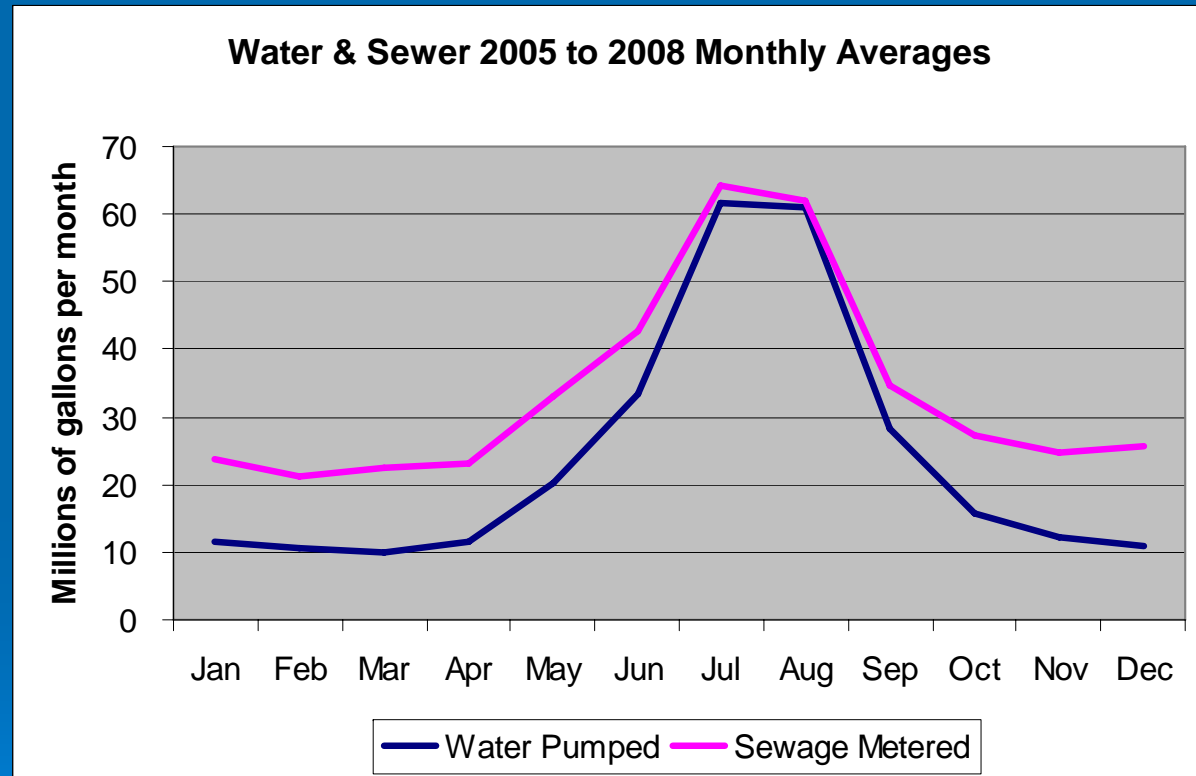
ESTIMATED METERS



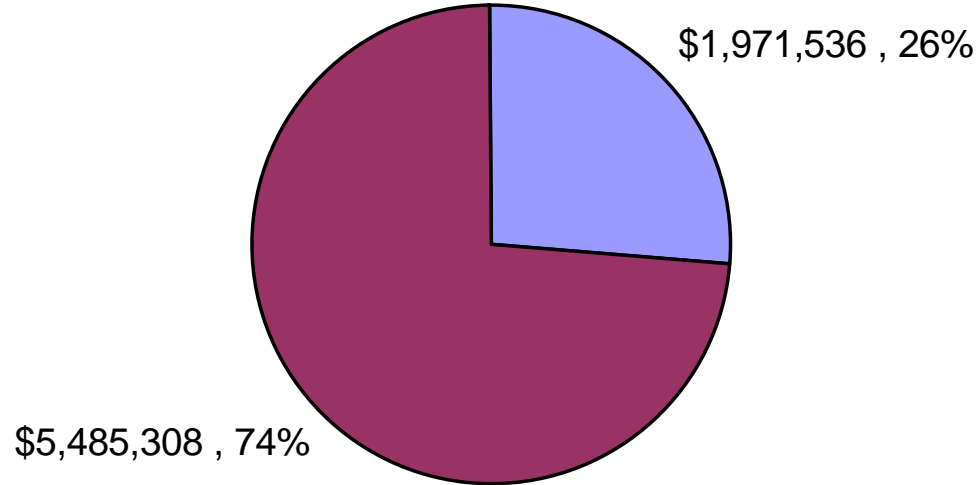
■ Residential ■ Commercial

WATER & SEWER PROFILE

- WATER DEMAND RANGE ON A MONTHLY BASIS FROM 8MM GALLONS TO 67MM GALLONS, BASED ON FLOWS FROM 2005 THRU 2009
- 4th OF JULY WEEKEND DEMAND ANNUALIZED IS 1,084MM GALLONS VS AN AVERAGE OF 287.5 MM GALLONS OR 350 PERCENT HIGHER
- COMMERCIAL UNITS USE APPROXIMATELY 7% OF THE WATER PUMPED OR 18MM GALLONS ANNUALLY
- MUA DESIGN FLOW IS 12.5 BILLION GALLONS PER YEAR VS AN AVERAGE FLOW OF 4.5 BILLION GALLONS OR 277% HIGHER



WATER & SEWER BUDGET



Water Sewer

FIXED VS. VARIABLE COSTS

- WATER FIXED COST IS 94.6%, TOTAL COST OF CHEMICAL TO TREAT WATER AND ELECTRICAL COST TO RUN FACILITY IS \$106,222.
- SEWER – IS 100% FIXED COST
- MUA PROVIDES THEIR BUDGET ESTIMATE EACH YEAR BASED ON THE PRECEDING SUMMER FLOWS. AT THE END OF THE CALENDAR YEAR THE MUA ADJUSTS THE PREVIOUS YEARS ESTIMATES BASED ON ACTUAL FLOWS FOR ALL CUSTOMERS. THE CITY ADJUSTS THE FOLLOWING YEARS BUDGET BY THAT AMOUNT.
- AVERAGE FOR THE PAST 4 YEARS IS \$65,073

CONCLUSIONS

- WE ARE PRIMARILY A SUMMER RESORT
- OUR POPULATION SWELLS CONSIDERABLY DURING THE SUMMER MONTHS
- THE NUMBER OF UNITS TO PROVIDE FOR THESE SWINGS IN POPULATION ARE AVAILABLE
- RESULTING IN SIGNIFICANT SWINGS IN DEMAND FOR THE SEASONS
- A HIGH PERCENTAGE, 98% PLUS OF THE SYSTEMS COST IS FIXED
- WE HAVE BUILT AND MAINTAINED A SYSTEM TO MEET THE PEAK DEMAND
- THE DRIVER FOR THIS PEAK DEMAND IS THE NUMBER OF UNITS.
- FAIR DISTRIBUTION OF COST IS TO SHARE EQUALLY AMONG ALL UNITS THE SYSTEM COSTS.

IMPACT USING CURRENT RATE STRUCTURE

➤ (\$ add 000)	WATER	SEWER	TOTAL
➤ 2009 BUDGET	\$1971.5	\$5485.3	\$7456.8
➤ CUSTOMERS	7100	6700	
➤ RATE PER UNIT	\$280.00	\$740.00	
➤ RENT REVENUE	\$1988.0	\$4958.0	\$6947.0
➤ EXCESS			\$150.0
➤ TOTAL RENT REVENUES			\$ 7097.0
➤ OTHER REVENUES			\$462.0
➤ TOTAL REVENUE			\$7559.0

COST ALLOCATION REVIEW

- IT WAS RECOGNIZED DURING THE BUDGET REVIEW PROCESS THAT THE METHODOLOGY USED FOR MANY YEARS WAS A BROAD APPROACH TO THE DIVISION OF SIGNIFICANT EXPENDITURES, INCLUDING HEALTH AND LIABILITY INSURANCE.
- DUE TO THE NEED TO ENACT THE NECESSARY LEGISLATION FOR SETTING OF POLICY, RATES REVIEW AND ADOPTION OF BUDGETS AND BOND ORDINANCES IT IS INCUMBENT OF THE ADMINISTRATION AND COUNCIL TO WORK TOGETHER TO DEVELOP METHODOLOGY FOR CALCULATING THE BEST ESTIMATES FOR BUDGET ALLOCATION.

COST ALLOCATION REVIEW

CON'T

- IN ORDER TO ACCOMPLISH THIS GOAL A DETAILED REVIEW BY DEPARTMENT AND EMPLOYEES WAS CONDUCTED TO DETERMINE EACH EMPLOYEE'S EFFORT TO THE CURRENT FUND AND/OR THE UTILITY FUND. THE REVIEW WAS CONDUCTED BY THE BUSINESS ADMINISTRATOR, CFO AND APPROPRIATE DEPARTMENT HEADS.
- THE ADMINISTRATION HAS DETERMINED THAT THE ESTIMATES OF SHARED RESPONSIBILITIES REFLECTED IN THE ALLOCATION MATRIX (Schedule C) ARE REPRESENTATIVE OF THE INTERACTION AND INTERDEPENDENCY OF CITY WIDE OPERATIONS AND RECOMMEND THAT THE PROCESS BE USED AS THE FOUNDATION FOR ALL ALLOCATIONS.

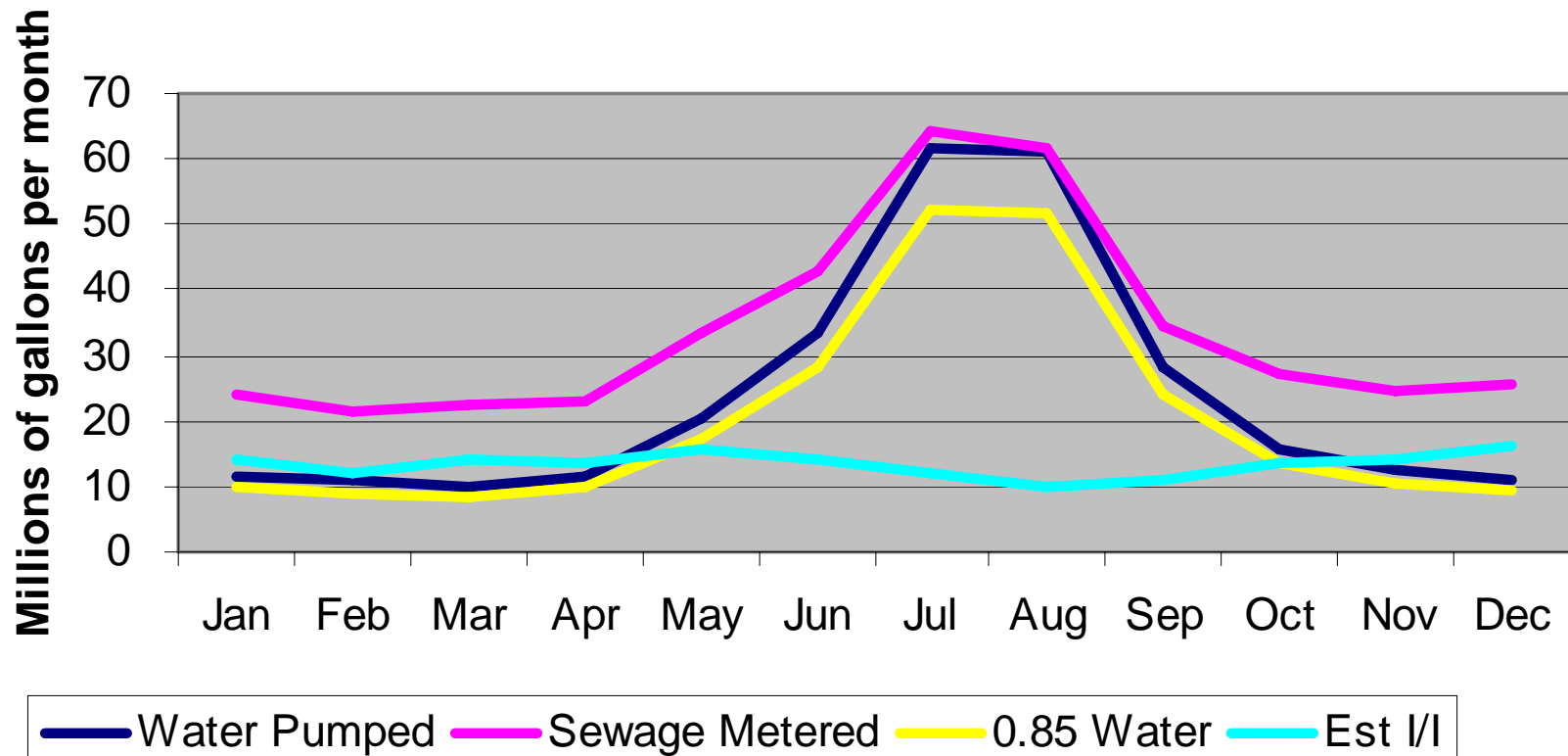
Schedule C

ALLOCATION PROCESS REVIEW RESULTS

AREA	% OF AREA	% OF ALLOCATION	DOLLAR
ELECTED OFFICIAL, ADMIN. CLERK, ENGINEER	21.8	11.9	\$228,748.35
FINANCE ADMIN TAX COLLECTION	29.9	15.4	\$297,734.77
POLICE	1.6	3.3	\$ 63,847.30
P.W. ADMIN.	50.0	17.9	\$344,953.40
PUBLIC WORKS	2.4	2.6	\$ 51,586.61
WATER & SEWER	<u>95.0</u>	<u>48.9</u>	<u>\$943,900.84</u>
TOTAL COMPENSATION	18.6	100.0	\$1,930,771.10
INCLUDABLE DEPT EXPENSES			\$ 196,135.68
RETIREEES HEALTH INS.			\$ 109,012.94
JIF & LIAB. INSURANCE (33% OF TOTAL)			\$ 245,754.00
TOTAL OTHERS			\$ 550,902.62
GRAND TOTAL			<u>\$2,481,673.70</u>
VARIANCE TO 2009 BUDGET			69,558.88

WATER & SEWER PROFILE

Monthly Averages 2005 to 2008



REVIEW AND RECOMMENDATIONS

- IT IS EVIDENT TO ALL THOSE INVOLVED THAT THE BIGGEST AREA FOR COST REDUCTION IS REDUCING THE MUA CHARGE AND THIS CAN BE ACCOMPLISHED BY FLOW REDUCTION.
- THE FIRST STEP IS TO ADDRESS THE INFLOW AND INFILTRATION SITUATION, THE ADMINISTRATION RECOMMENDED AND COUNCIL APPROVED LAST FALL A SEWER SYSTEM EVALUATION STUDY, REPORT IS DUE AUGUST 2009. THE STUDY IS PROJECTED TO DETERMINE WHAT SECTIONS OF OUR SYSTEM ARE IN THE MOST NEED AND WHAT CORRECTIVE ACTION CAN BE TAKEN, INVESTMENT COST AND POTENTIAL PAYBACK.
- WE RECOGNIZE THAT THERE IS ABOUT A ??% GAP BETWEEN METER READINGS AND THE AMOUNT OF THE WATER PUMP AND THE WASTER METER READINGS.
- WE WILL CLOSE THAT GAP BY REVIEWING CITY FACILITIES, FIRE HYDRANTS, AND CONSTRUCTION SITES ETC. TO DETERMINE USAGE AND POSSIBLE REDUCTION METHODS.
- PERFORM MONTHLY METER READINGS IN ORDER TO HELP DETERMINE ANY PROBLEMS
- SINCE OUR RATE STRUCTURE DOES NOT ENCOURAGE CONSERVATION BY ITSELF, IT IS IMPERATIVE THAT WE DEVELOP A PROGRAM THAT WILL ASSIST US IN REACHING FLOW REDUCTION BY USERS.

REVIEW AND RECOMMENDATIONS CON'T

- INSURE THE CITY'S BUILDING CODES REQUIRE THE LATEST TECHNOLOGY FOR NEW CONSTRUCTION.
- CONSIDER A SYSTEM/FIXTURE AUDIT OF THE TOP 100 USERS TO DETERMINE THE TYPE OF SYSTEMS/FIXTURES THAT ARE BEING USED. IF CHANGES WOULD REDUCE FLOWS DETERMINE THE IMPACT.
- CONSIDER A JOINT CITY/USER AGREEMENT TO COVER INVESTMENT FOR UPGRADES, INVESTIGATE AVAILABILITY OF GRANTS.
- CONSIDER A SURCHARGE IF SYSTEMS DO NOT MEET OUR STANDARDS
- IF PROCESS IS SUCCESSFUL AFTER THE FIRST 100 CONTINUE TO THE NEXT GROUP.
- CONSIDER ESTABLISHING A EDUCATIONAL PROGAM DIRECTED TOWARDS WATER REDUCTION. INCLUDING THE OFFER OF A WATER USAGE AUDIT