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OFFICE OF THE CITY MANAGER

NO. LTC # 049-2008

LETTER TO COMMISSION

TO: Mayor Matti H. Bower and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: February 5, 2008

SUBJECT: **Water Consumption**

This Letter to the Commission (LTC) is to provide information about the City of Miami Beach water consumption for the first quarter of FY2007/08. On September 26, 2007, at the second Public Budget Hearing, the City Commission approved an increase in water and sewer fees based on an assumption that the decrease of water consumption in FY07/08 would be 10% below FY2006/07. The Manager's proposed budget for FY2007/08 initially included higher rate increases based on an 18% decrease in consumption. At that time, estimates for water consumption ranged from 10-18% in recent months. With the final adopted budget, the 10% decrease in water consumption was used as a conservative measure in order not to raise rates higher than necessary, with the full understanding that the Commission might be asked to fund rate increases later in the year. As the Commission may recall, there is an inverse relationship in the water system that a decrease in use actually prompts an increase in rates. Thus, the use of a lower decrease in consumption allowed a smaller rate increase.

The hurricane season ended November 30, with less than normal hurricane activity and rain events, providing no relief from the continuation of the prolonged drought that has persisted throughout South Florida and the state. As a result, on January 15, the South Florida Water Management District (SFWMD) declared an 'extreme District-wide water shortage' and instituted the Modified Level 3 water restrictions to address the shortage. Unlike the Phase II restrictions, the new plan now reduces residential landscapes to a one-day-a-week (previously twice per week) irrigation schedule, as well as reducing golf course irrigation use by 45 percent. The District estimates that landscape irrigation accounts for up to half of all household water consumption in Florida.

While the total water purchased from Miami-Dade County for all of FY2006/07 showed only a minor decrease, it is important to note that consumption for the last six (6) months of FY2006/07 resulted in a net decrease of 14% from FY2005/06. Further, as reflected below, **total water consumption (in gallons) for the first quarter of FY2007/08 was 19% less than the first quarter of FY2006/07.**

	October	November	December	Y-T-D
FY2007/08 Actual	615,352,592	556,200,176	570,018,704	1,741,571,472
FY2007/08 Budget	665,453,570	659,856,589	611,140,111	1,936,450,271
FY2006/07 Actual	739,392,856	733,173,988	679,044,568	2,151,611,412
% FY2007/08 Decrease from FY2007/08 Budget	8%	16%	7%	10%
% FY2007/08 Decrease from FY2006/07 Actual	17%	24%	16%	19%

With the imposition of Modified Level 3 water use restrictions, a continued decrease in the amount of water consumption will also result in a concurrent significant decrease in sewer revenues.

We will continue to closely monitor the water consumption and sewer treatment volumes over the upcoming months.

Based on the first quarter trends, and due to the even more restrictive water consumption measures imposed by the SFWMD, we anticipate the water and sewer fees will have to be increased mid-year in order to prevent losses in Water and Sewer utility fund, which are already low in their fund balances. However, we will continue to monitor the next couple of months prior to making any specific recommendations.

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