

Water and Sewer FY 2014 Budget Work-Session

April 16, 2013



Overview of Tonight's Meeting

- Rate Model
- Proposed FY 14 Water Budget / Rate
- Proposed FY 14 Sewer Budget / Rate

Rate Model Study

- December 4, 2012
Rate Study Model 101
Public Library
- February 11, 2013
City Council
Rate Study Meeting
- March 13, 2013
Public Input Session
Rate Study



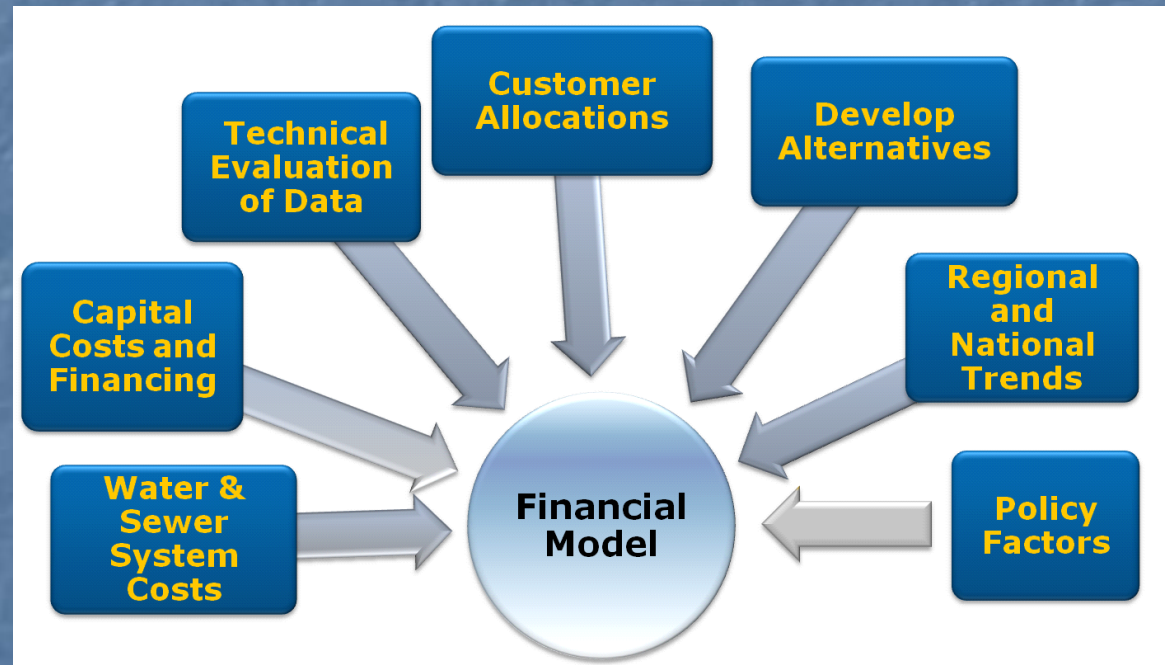
Goal of Utility Rate Study

Provide long-term financial health, stability, and predictability within the City's water and sewer enterprise funds, while appropriately pricing water and sewer service based on the costs incurred by the City

Rate Model Study

The rate model serves as the key tool to assist in long-term planning, allowing:

- Prudent financial planning which results in predictable rate increases
- Funding of significant capital projects
- Proactive management of the systems which results in lowest rates over time



Revenue Requirement Forecast

➤ **Personnel Costs**

- ▶ Salaries, insurance, benefits, etc.
- ▶ Inflated annually by line item in financial model

➤ **Other Operating**

- ▶ Chemicals, energy, repairs, contracts, etc.
- ▶ Inflated annually by line item in financial model
- ▶ Key cost driver is inflation on utilities (chemical and energy)

Revenue Requirement Forecast

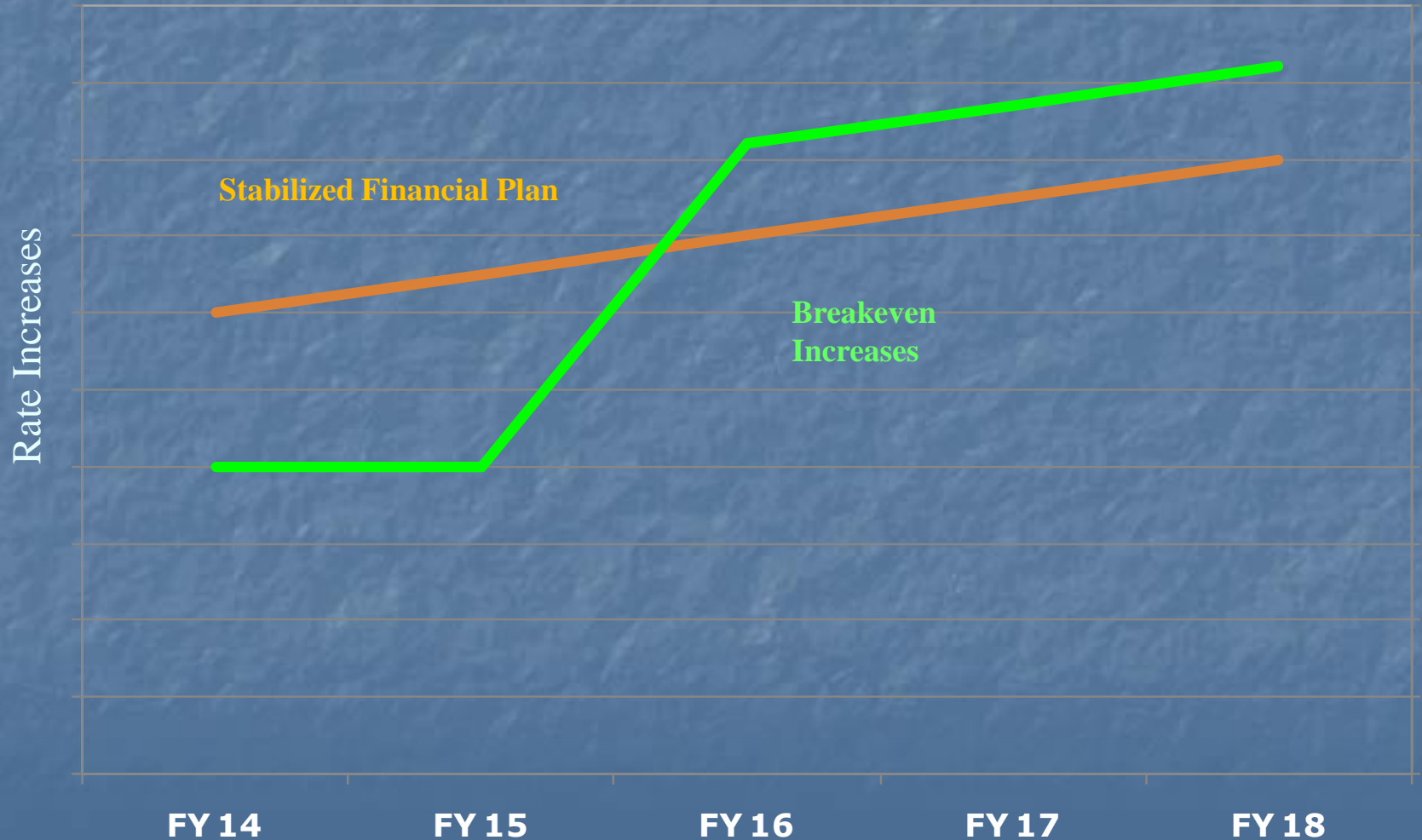
➤ **Capital Outlay**

- ▶ Cash funded capital projects
- ▶ Forecast based on Capital Improvements Plan
- ▶ Key cost driver is the magnitude of capital projects

➤ **Debt Service**

- ▶ Principal and interest on current and future loans
- ▶ Forecast based on Capital Improvements Plan
- ▶ Key cost driver is the magnitude of capital projects

Approaches to Adjusting Rates



Rate Stabilization Reserve Policy

- Increase net assets or utilize net assets to stabilize user rates from year to year.
- Maintain a minimum unrestricted net asset balance between 20% - 30% of the fiscal year's cash requirements.

Enterprise Funds

System Funding: Enterprise Funds

- Enterprise Funds Account for Operations That are Financed and Operated in a Manner Similar to Private Business
- Must have Fees and or Charges Sufficient Enough to Cover the Cost of Providing Goods and Services, Including Capital costs (i.e. Depreciation and Debt Service)
- Note: Property Taxes do not Subsidize the Water and Sewer Funds

Water and Sewer Position Summary Schedule

- Add Envir. Compliance Coordinator
- Add Water/Sewer Meter Foreman
- Add Billing Clerk
- Add 0.2 FTE Project Clerk
- Eliminate Engineering Technician
- Elimination of 1 CAD Tech

Net Change 1.2 Positions

Positions- Full Time	FY 12-13	FY 13-14
Deputy City Manager	0.2	0.2
Deputy PW Director	1	1
Engineer	1	1
Engineer Project Manager	1	1
Envir. Planner/Sustainability Coord.	0.5	0.5
Envir. Compliance Coordinator	0	1
Engineering Technician	1	0
Health Inspector	0.6	0.6
GIS Coordinator	1	1
CAD Technician	2	1
General Foreman	1	1
Chief Plant Operator	2	2
Asst Chief Plant Operator	3	3
Water Foreman	1	1
Sewer Foreman	1	1
Chemist	1	1
Plant Operator 2	3	3
Plant Operator 1	10	10
Equipment Operator II	1	1
Equipment Operator I	2	2
Utility Mechanic	6	6
Meter Reader	2	2
Truck Driver 1	2	2
Laborer	3	3
Water/Sewer Billing Meter Foreman	0	1
Billing Clerk	0	1
PIWWTP Project Clerk	0	0.2
Account Clerk	1	1
Secretary	0	0
Total	47.3	48.5

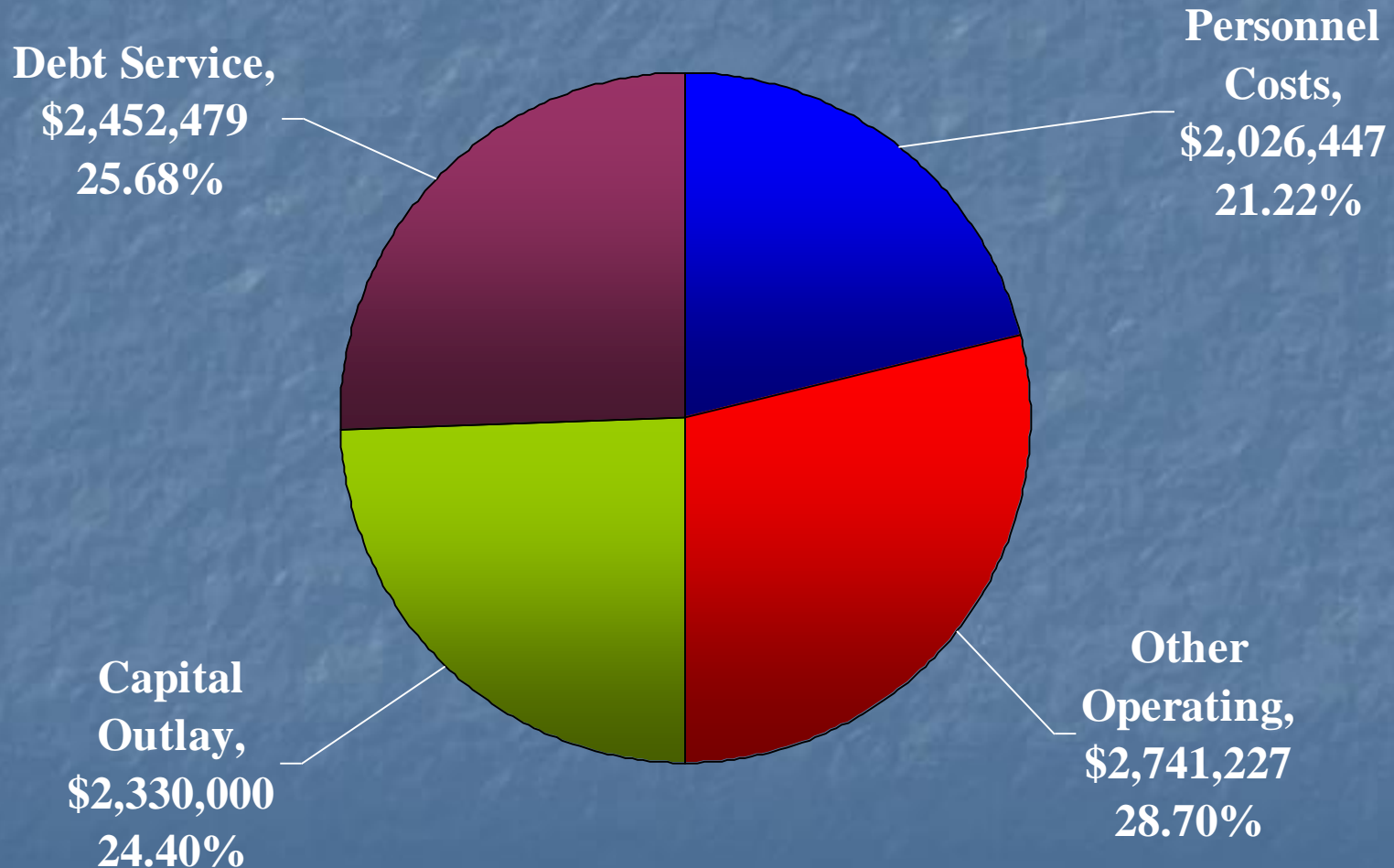
Proposed FY 14
Water Fund Budget

Proposed FY14 Water Budget

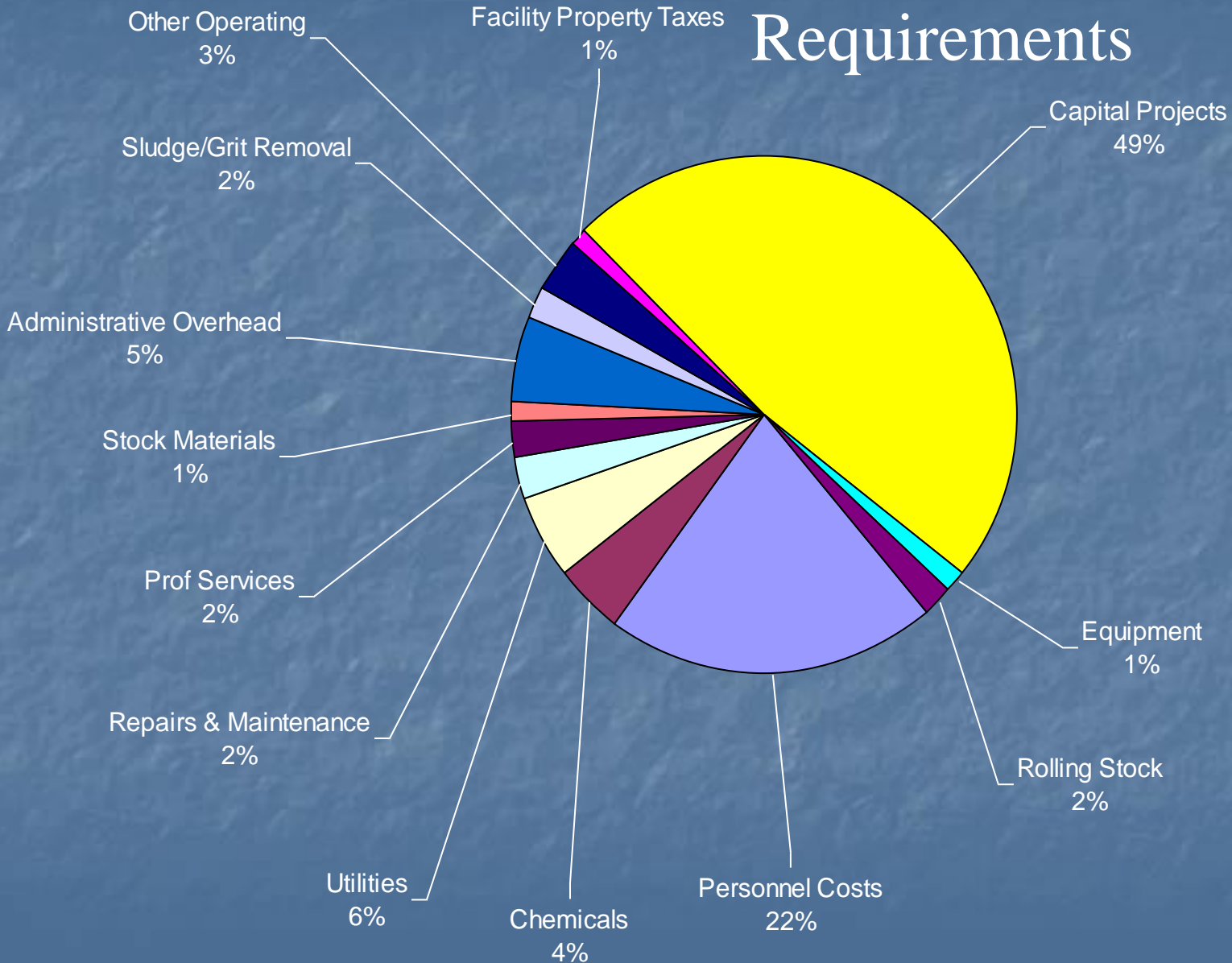
	Full Accrual Basis of Accounting	Cash Requirements
Operations and Maintenance	4,523,674	4,523,674
Property Taxes	118,000	118,000
Equipment & Minor Capital needs	126,000	126,000
Depreciation	1,582,924	-
Interest on Debt	793,427	793,427
Accrued Interest	-	93,723
Principal Debt	-	1,565,329
OPEB Liability	33,320	-
Capital Projects, Vehicle Replacement	-	2,330,000
Total	\$7,177,345	\$9,550,153

Cash Requirements: FY 14 Water Fund

\$9,550,153



Total Water Budget Cash Requirements



FY 14 Water Fund Budget

	Proposed Budget	% of Total Budget
Personnel Costs	\$2,026,447	21.2%
Chemicals	\$422,015	4.4%
Utilities	\$490,051	5.1%
Repairs & Maintenance	\$236,805	2.5%
Prof Services	\$217,712	2.3%
Stock Materials	\$122,400	1.3%
Administrative Overhead	\$510,534	5.3%
Sludge/Grit Removal	\$200,000	2.1%
Other Operating	\$297,710	3.1%
Facility Property Taxes	\$118,000	1.2%
Capital Projects	\$4,592,479	48.1%
Equipment	\$126,000	1.3%
Rolling Stock	\$190,000	2.0%
<i>Total Budget</i>	\$9,550,153	100.0%

Key Operational Budget Changes

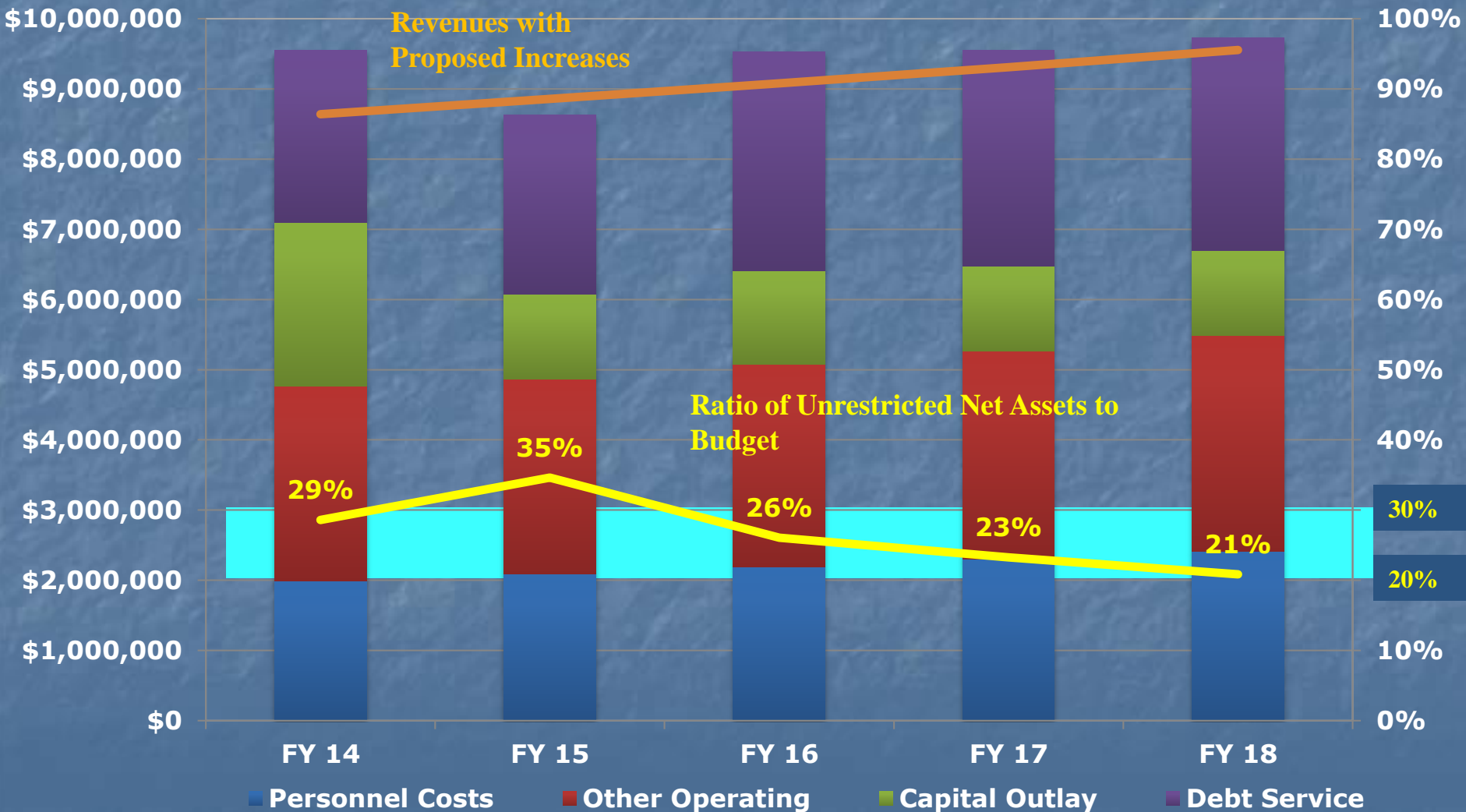
➤ Sludge and Grit Removal	\$100,000
➤ Chemicals	\$103,415
➤ Health Insurance	\$44,612
➤ Retirement	\$23,018

Water Capital Outlay

<u>Project Name</u>	<u>Amount</u>
Annual Water Line Replacement	\$1,800,000
Osprey Landing Water Tank Demolition	\$100,000
Well Stations Improvement	\$100,000
New Castle Water Lines Improvement	\$40,000
Stage Two Disinfection By-Product Rule	\$50,000
Water System Pressure and Storage Improvements	\$50,000
Total	\$2,140,000

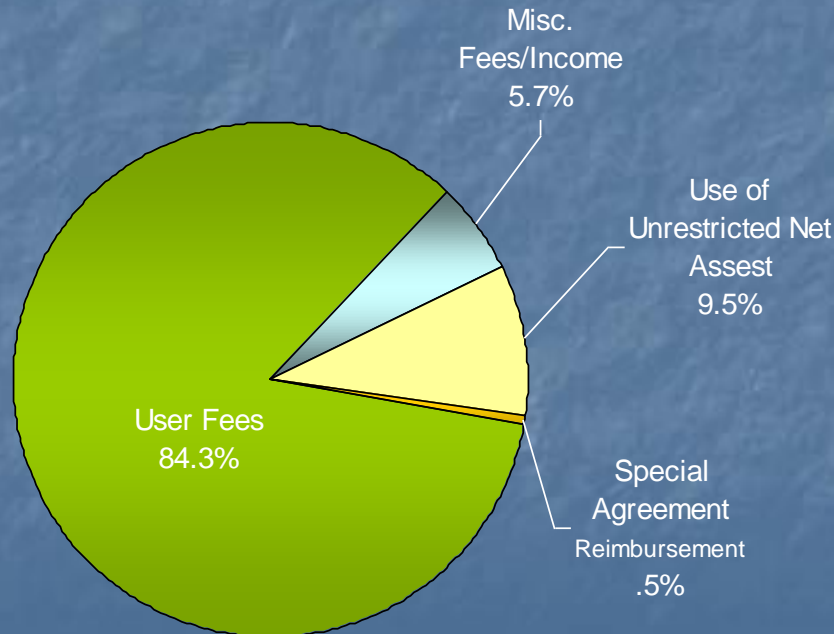
Water Fund

Model for Rate Stabilization Approach



Revenues

- \$8,049,803 User Fees/Minimum Charges
- \$548,500 Miscellaneous Fees/Income
- \$909,850 Use of Unrestricted Net Assets
- \$42,000 Special Agreement Reimbursement



FY14 Proposed Water Rate

No Rate Change from FY 13

FY14 Proposed
(per unit)

First Tier Rate (10 units or less per month)	
Capital Related Rate, per unit billed	\$3.11
First 10 units billed per month	\$1.04
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Total First Tier Rate	\$4.15
Second Tier Rate (over 10 units per month)	
Capital Related Rate, per unit billed	\$3.11
Over 10 units billed per month	\$1.89
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Total Second Tier Rate	\$5.00
Irrigation Meter Rate (all units billed)	
Capital Related Rate, per unit billed	\$3.11
Over 10 units billed per month	\$1.89
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Total Irrigation Meter Rate	\$5.00

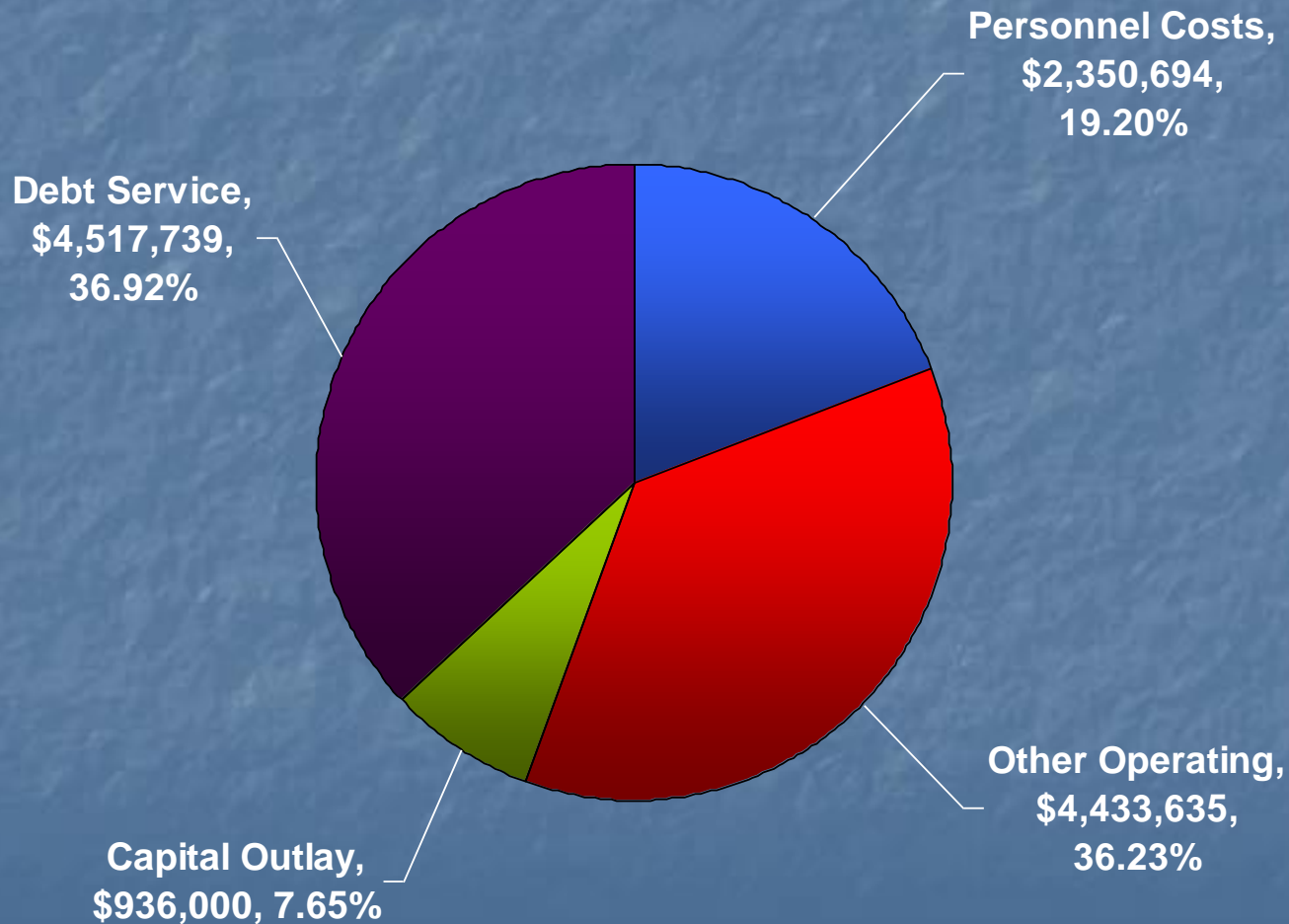
1 unit = 748 gallons of water

Proposed FY 14
Sewer Fund Budget

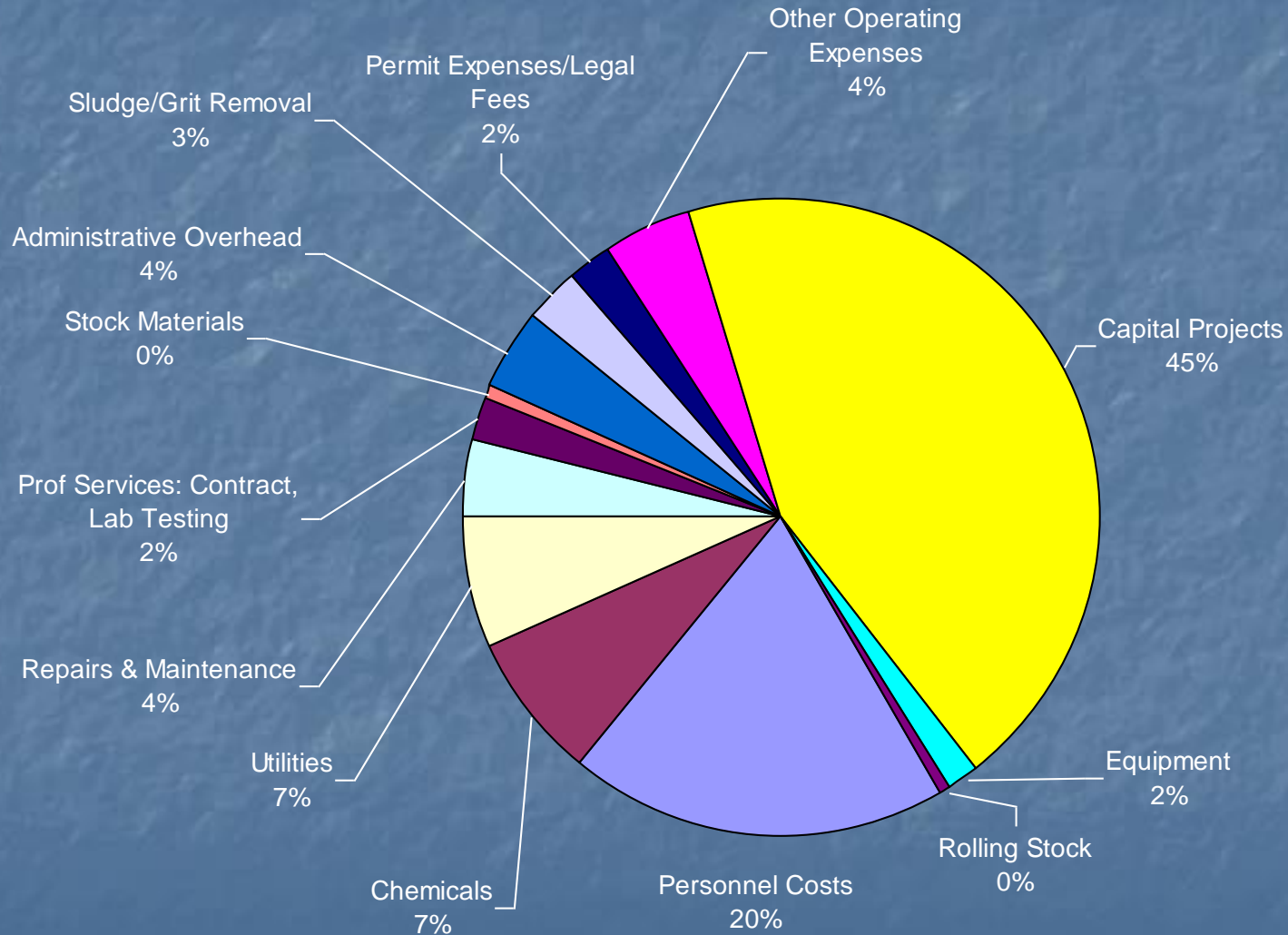
Proposed FY14 Sewer Budget

	Full Accrual Basis of Accounting	Cash Requirements
Operations and Maintenance	6,277,029	6,277,029
Property Taxes	291,000	291,000
Equipment & Minor Capital needs	216,300	216,300
Depreciation	1,542,718	-
Interest on Debt	1,609,074	1,609,074
Accrued Interest	-	(7,134)
Principal Debt	-	2,915,799
OPEB Liability	21,791	-
Capital Projects, Vehicle Replacement	-	936,000
Total	\$9,957,912	\$12,238,068

Cash Requirements: FY 14 Sewer Fund - \$12,238,068



Total Sewer Budget Cash Requirements



FY 14 Sewer Fund Budget

	Proposed Budget	% of Total Budget
Personnel Costs	\$2,350,694	19.2%
Chemicals	\$906,891	7.4%
Utilities	\$831,108	6.8%
Repairs & Maintenance	\$462,645	3.8%
Prof Services: Contract, Lab Testing	\$292,209	2.4%
Stock Materials	\$53,850	0.4%
Administrative Overhead	\$510,534	4.2%
Sludge/Grit Removal	\$327,500	2.7%
Permit Expenses/Legal Fees	\$291,000	2.4%
Other Operating Expenses	\$541,598	4.4%
Capital Projects	\$5,397,739	44.1%
Equipment	\$216,300	1.8%
Rolling Stock	\$56,000	0.5%
TOTAL	\$12,238,068	100.0%

Key Operational Budget Changes

➤ Reallocation of Personnel Cost from Water	\$180,414
➤ Utilities	\$120,908
➤ Chemicals	\$75,891
➤ Health Insurance	\$33,761
➤ Retirement	\$50,311

Sewer Capital Outlay

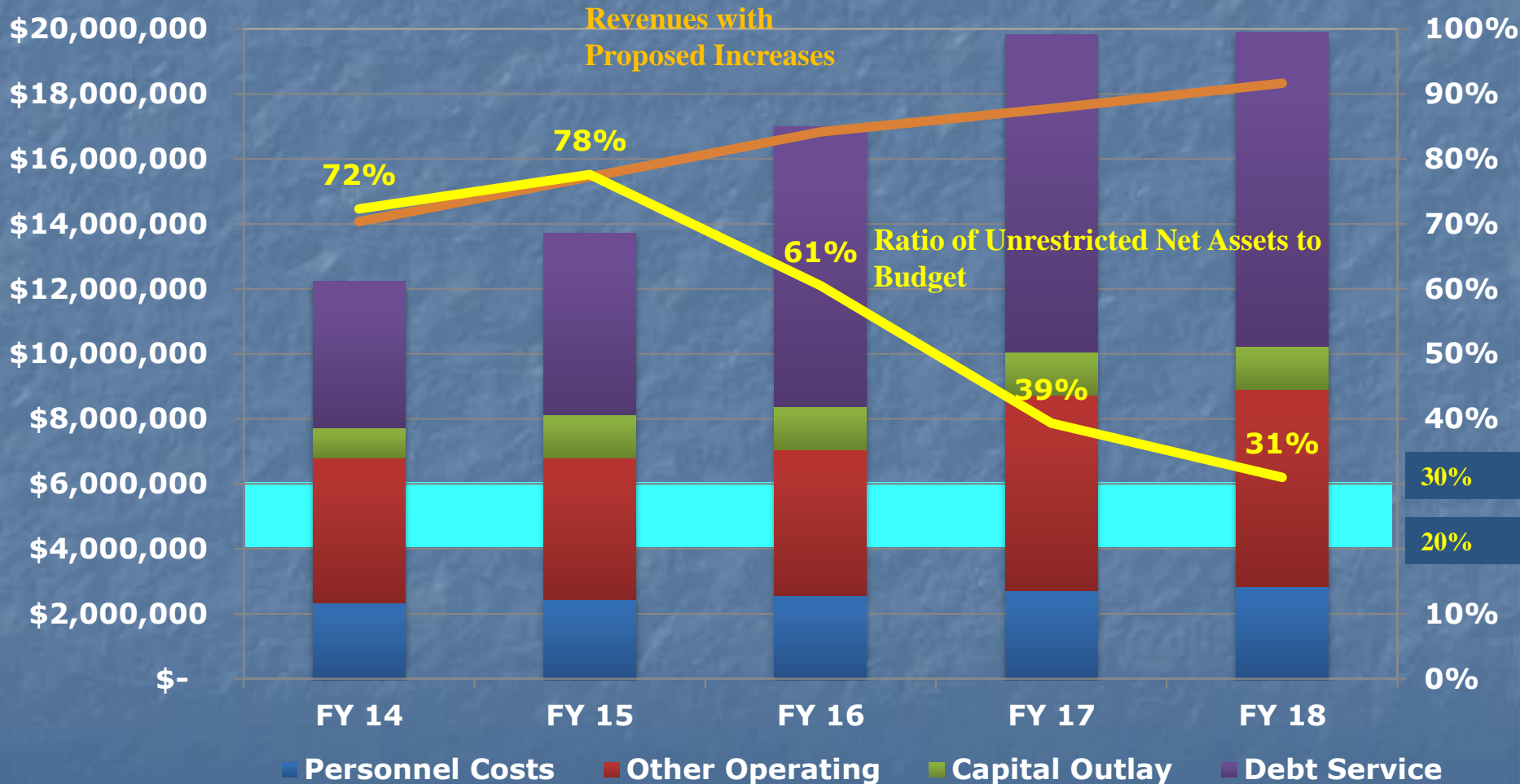
<u>Project Name</u>	<u>Amount</u>
Fleet Street Utilities Upgrade	\$80,000
Annual Sewer Line Replacement	\$750,000
Lafayette Rd Pumping Station Upgrade	\$50,000
Total	\$880,000

Bond Funded CIP Projects

<u>Project Name</u>	<u>Amount</u>
PI Wastewater Treatment Plant Upgrades	\$2,500,000
Pease Wastewater Treatment Plant Upgrades	\$3,500,000
Total	\$6,000,000

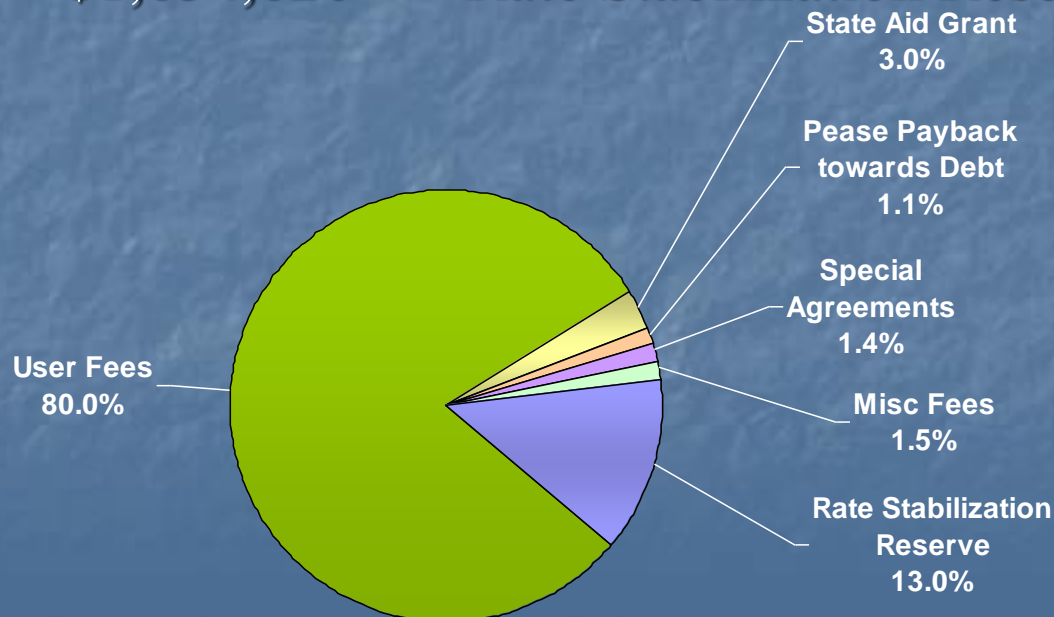
Sewer Fund

Model for Rate Stabilization Approach



Sewer Revenues

- \$11,265,688 User Fees
- \$411,777 State Aid Grant-Principal & Interest
- \$207,500 Miscellaneous Fees/Income
- \$152,627 Pease Payback toward Debt
- \$200,476 Special Agreement Reimbursement
- \$1,834,826 Rate Stabilization Reserve



Proposed Sewer Rate

12 % Increase in Rate

	FY13 Rates (per unit)	FY14 Rates (per unit)	Change
First Tier Rate (10 units or less per month)			
Capital Related Rate, per unit billed	\$4.00	\$5.66	\$1.66
First 10 units billed per month	\$5.54	\$5.02	-\$0.52
Total First Tier Rate	\$9.54	\$10.68	\$1.14
Second Tier Rate (over 10 units per month)			
Capital Related Rate, per unit billed	\$4.00	\$5.66	\$1.66
Over 10 units billed per month	\$6.49	\$6.09	-\$0.40
Total Second Tier Rate	\$10.49	\$11.75	\$1.26

1 unit = 748 gallons of water

Average Monthly Residential Impact

66% of Average Single Residential 5 or less units/month

Residential Customer (Monthly)			
Based on 125 gallons per day usage			
Monthly Consumption in units	5	5	
(1 unit = 100 cf = 748 gallons)			
	<u>Current</u>	<u>Proposed</u>	
	<u>Rates</u>	<u>Rates</u>	Change
Capital Related Rate, per unit	\$4.00	\$5.66	\$1.66
First Tier, Sewer Services Rate	\$5.54	\$5.02	(\$0.52)
	\$9.54	\$10.68	\$1.14
Monthly Sewer Usage Billing	\$47.70	\$53.40	\$5.70

Discussion