



Utility Rate Study Presentation
February 8, 2017
Director of Public Works
Joe Pomroy

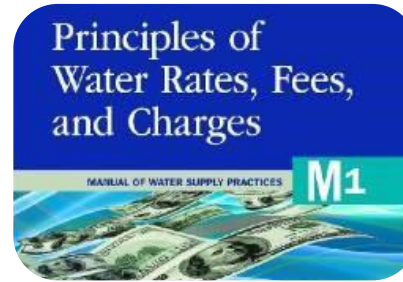
The Director of Public Works is hired to...



protect our
source water.



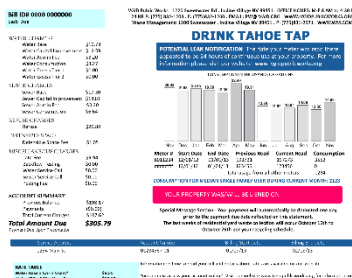
provide safe
tap water.



be fiscally responsible.



maintain
infrastructure.



provide high
quality service.



promote safety.



safely transport
effluent.

Summary

- Rate Study Purpose
- Rate Study Fundamentals
- 2017-18 Water and Sewer Budgets
- Five Year Operating and Capital
- Water and Sewer Rates
- Rate Comparisons
- Timeline
- Recommendation

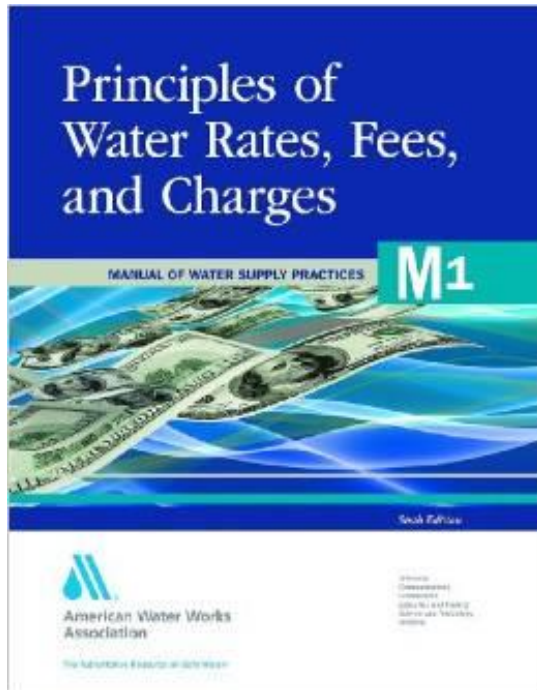
Rate Study Purpose

- Determine Expenses Operating and CIP
- Determine Revenue Projections
- Examine Full Cost Pricing
- Balance Costs Equitably Among User Classes
- Provide Price Signals to Users
- Determine Needs for Bonding
- Fund Utility for Future Users

Rate Study Fundamentals

- District Strategic Plan
 - Mission, Vision, Goals and Objectives, Culture Training, & Customer Service Training
- Industry Best Practices
 - Effective Utility Management
 - AWWA Best Practice Manuals
 - Professional Organizations, AWWA & WEF
 - Industry Peers
 - Benchmarking and Performance Measures

Rate Study Fundamentals

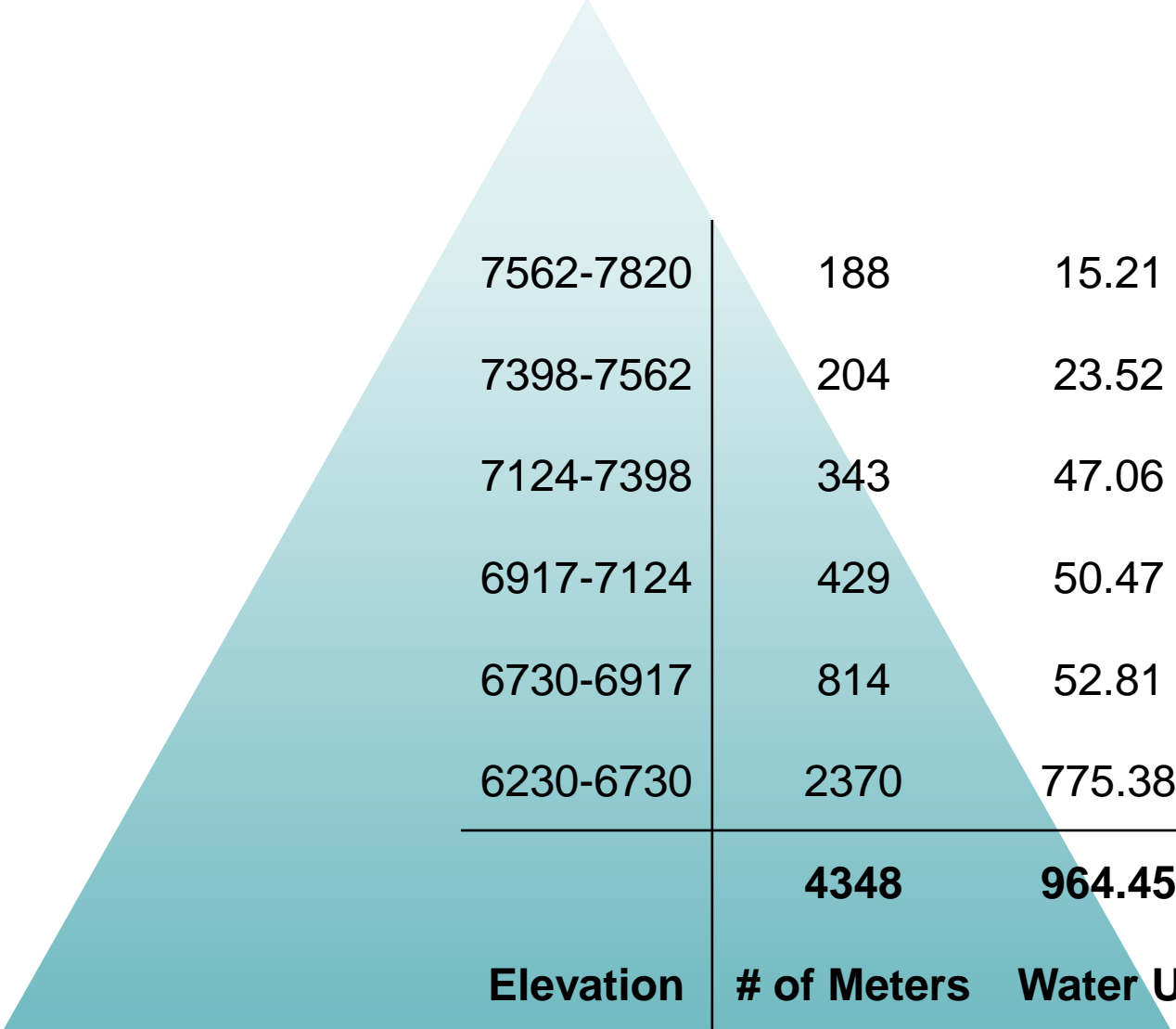


- AWWA Manuals of Practice
- Industry best practices
- Guiding document – 60 years
- 300 pages of rate info
- Commodity demand method
- Increasing block rate structure

Water Budget Summary

Water Budget	2016-17 Budget	2017-18 Proposed	% Change
Revenue			
Water Revenue	4,861,990	4,976,837	2.4%
Expenditure			
Salaries and Benefits	1,522,092	1,567,755	3.0%
Professional Services	17,250	45,900	166.1%
Services and Supplies	768,652	851,634	10.8%
Insurance	67,812	85,200	25.6%
Utilities	544,800	496,096	-8.9%
Central Services Cost	162,200	190,000	17.1%
Fuels Management	50,000	50,000	0.0%
Expenditures	3,132,806	3,286,585	4.9%
Debt Service			
Principal	218,658	224,515	
Interest	88,361	82,504	

Delivery of Water



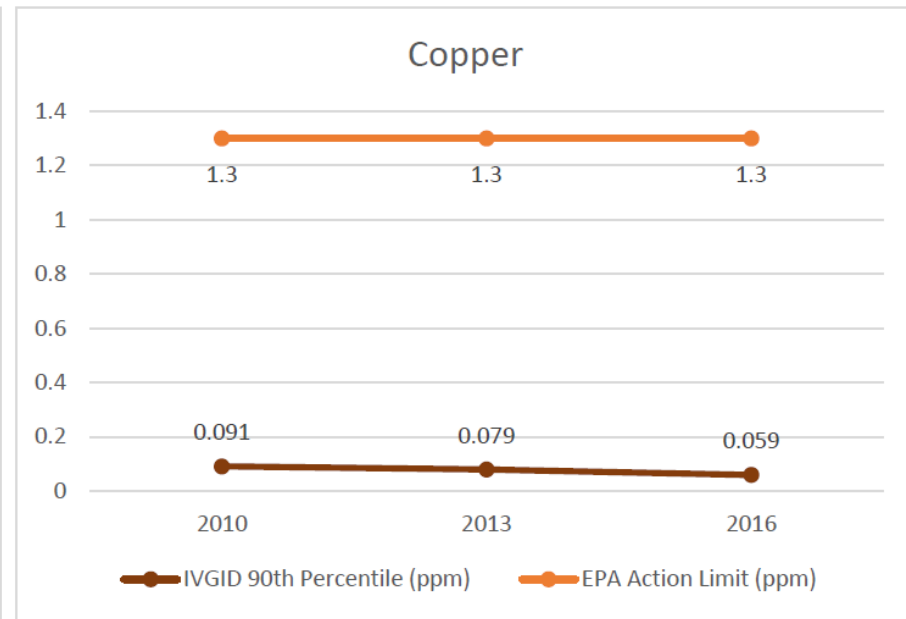
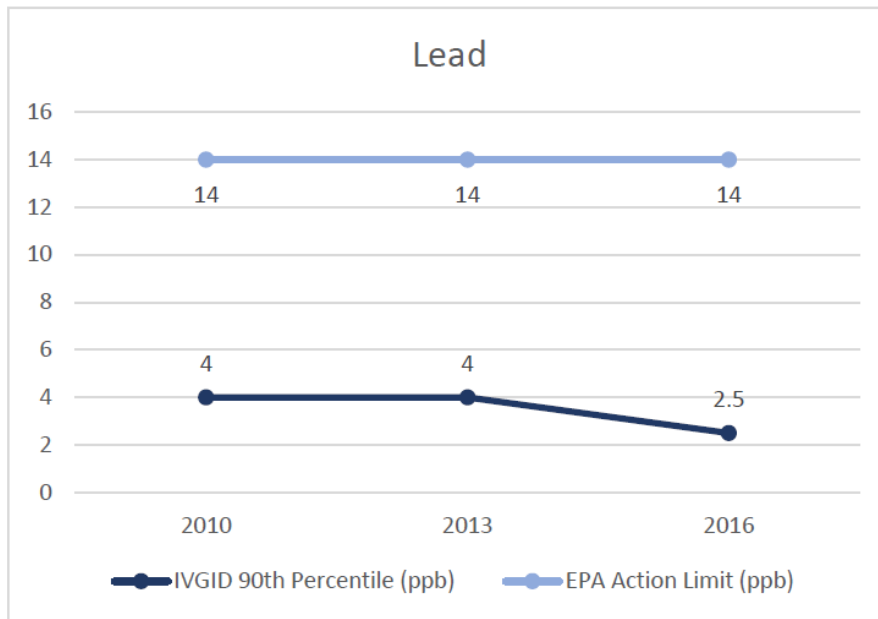
7562-7820	188	15.21 MG	\$33,557.42
7398-7562	204	23.52 MG	\$48,075.75
7124-7398	343	47.06 MG	\$77,596.93
6917-7124	429	50.47 MG	\$28,097.04
6730-6917	814	52.81 MG	\$23,913.17
6230-6730	2370	775.38 MG	\$217,899.82
<hr/>			
	4348	964.45 MG	\$429,140.13
Elevation	# of Meters	Water Usage	Electrical

Utility Customer Experience

- Reliability – 100% Service Goal
- Consistent product
- Customer conveniences and information
 - On-line accounts, e/bills and e/pay
 - Speak to a person, not a machine
 - Move in and Move out
 - Designating a tenant or agent for the account
 - Leak notification by email and bill

Protecting our Water - Lead and Copper

- U.S. concern with Lead in water because of Flint Mich.
- Compliance with Federal Lead and Copper Rule
- Sampling at 20 Single Family Homes



Protecting our Water - Backflow

- Corpus Christi – 320,000 water customers told not to use water for 2 days
- Cross contamination at asphalt plant
- Up to 100,000 “Do not use” for 4 days



Sewer Budget Summary

Sewer Budget	2016-17 Budget	2017-18 Proposed	% Change
Revenue			
Sewer Revenue	6,366,608	6,586,361	3.5%
Expenditures			
Salaries and Benefits	2,015,104	2,075,557	3.0%
Professional Services	80,500	51,900	-35.5%
Services and Supplies	794,695	805,152	1.3%
Insurance	85,740	103,200	20.4%
Utilities	522,900	451,620	-13.6%
Central Services Cost	162,200	190,000	17.1%
Fuels Management	50,000	50,000	0.0%
Expenditures	3,711,139	3,727,429	0.4%
Debt Service			
Principal	263,572	271,245	
Interest	72,542	64,868	

Sewer Budget - Chemicals

Chemical	Budgeted Expense
Solids Dewatering Polymer	\$60,000
Sodium Hypochlorite for Effluent Disinfection	\$35,000
Odor Control Chemicals	\$27,000
Sewer pH Adjustment Chemical	\$25,000
Total	\$147,000

Sewer Budget – Sewer Mains

Sewer Main Activity	Budgeted Expense
Sewer Main Cleaning 140,000 feet of hydroflush	\$77,000 (\$0.55/foot)
Sewer Main CCTV Inspection 40,000 feet of inspection	\$52,000 (\$1.30/foot)
Sewer Main Repairs	\$41,700
Total	\$170,700

Utilities Personnel

Budget Year	Full Time	Part Time	Total
2006-07	31.2	0.7	31.9
2011-12	31.2	0.7	31.9
2016-17	31.2	3.4	34.6
2017-18	31.2	3.4	34.6

- **2017–18 Part Time Positions (same as 15-16, 16-17)**
 - Solid Waste Enforcement Tech – 1.0 – (2015)
 - Waste Not Intern –1.0 (increased in 2014, loss of AmeriCorps)
 - Truck Driver – 0.63 (2015)
 - Customer Service Representative – 0.5 (2015)
 - Wetlands Hunt Supervisor – 0.3 (pre 2000)

Budgeted Expenses 2017-18

Budget Item	2017-18 Expense
Customer Service (Billing, meter reading, front office)	\$372,000
Fleet Maintenance Services	\$314,000
Buildings Maint. Services	\$92,500
Fuel	\$68,000
Regulatory Permits (NDEP, NDSL, BSDW)	\$29,000

2017-18 Capital

- Sewage Pumping Station 1, 8 & 11
- WRRF Effluent Storage Pond
 - Not collecting for Export Pipeline in 2017-18
- Watermain Replacement in Mill Creek
- Water Reservoir Safety Improvements
- Budget of \$4,400,000

2017 5-Year Rate Study

- Water Rates - ↑3.6%
- Sewer Rates - ↑3.3%
- Overall Rates - ↑3.4%
- Increase is Spread Across Rate Components
- Average 3.4% Increase for Next 5 Years
- Commodity-Demand Model (fixed, variable, and CIP components)

Operating Revenues and Expenses

5-Year Plan	2017-18	2018-19	2019-20	2020-21	2021-22	5-Yr Sum
Operating Revenue	6,852,000	7,162,000	7,488,000	7,828,000	8,187,000	\$37,517,000
Operating Expense	(7,014,000)	(7,143,000)	(7,337,000)	(7,537,000)	(7,743,000)	(\$36,774,000)
					Subtotal	\$743,000

Does not include depreciation

Capital Revenues and Expenses

5-Year Plan	2017-18	2018-19	2019-20	2020-21	2021-22	5-Yr Sum
Capital Revenue	4,807,000	4,863,000	4,921,000	4,979,000	5,037,000	\$24,607,000
Capital Expense	(4,797,000)	(4,828,000)	(4,716,000)	(4,707,000)	(4,474,000)	(\$23,522,000)
					Subtotal	\$1,085,000

Note 1 - Capital Expense is net of grants and debt proceeds.

Total Revenues and Expenses

2017 Five Year Rate Study	5-Year Total
Operating and Capital Revenue	\$62,124,000
Operating and Capital Expense	\$60,296,000
Net increase in reserves	\$1,828,000

2012 5-Year Rate Study

- How did we do on our projections over the 5 year period from 2012 to 2017?

Component	Projected In 2012	Actual Looking Back
Annual Average	5.2% / yr	4.7% / yr
Total Increase	28.8%	25.8%

Proposed 2017 Water Rates

Current 2016 Rate Component	2016 Rate		Proposed 2017 Rate Component	2017 Rate	Change
Base Rate	\$ 10.00		Base Rate	\$ 10.65	\$0.65
Capital Improvements	\$ 14.36		Capital Improvements	\$ 14.47	\$0.11
Customer Account Fee	\$ 3.45		Customer Account Fee	\$ 3.65	\$0.20
Defensible Space	\$ 1.05		Defensible Space	\$ 1.05	-
Monthly Water Bill	\$ 28.86		Monthly Water Bill	\$ 29.82	\$0.96
Consumption	\$ 1.39		Consumption	\$ 1.45	\$0.06
1st Tier	\$ 0.97		1st Tier	\$ 0.95	(\$0.02)
2nd Tier	\$ 1.23		2nd Tier	\$ 1.26	\$0.03

Consumption, Tier 1 and Tier 2 is cost per 1000 gallons of water use

Proposed 2017 Sewer Rates

Current 2016 Rate Component	2016 Rate		Proposed 2017 Rate Component	2017 Rate	Change
Base Rate	\$ 16.52		Base Rate	\$ 17.55	\$ 1.03
Capital Improvements	\$ 29.86		Capital Improvements	\$ 30.25	\$ 0.39
Customer Account Fee	\$ 3.45		Customer Account Fee	\$ 3.65	\$ 0.20
Monthly Sewer Bill	\$ 49.83		Monthly Sewer Bill	\$ 51.45	\$ 1.62
Sewer Use Rate	\$ 2.90		Sewer Use Rate	\$ 3.00	\$ 0.10

Sewer Use is cost per 1000 gallons of water use.

Residential sewer consumption is capped in summer months.

Utility Bill History – Median User

Year	Monthly Water Charge	Monthly Sewer Charge	Total Monthly Water and Sewer Charge
2012	\$33.97	\$46.04	\$80.01
2013	\$34.66	\$51.24	\$85.90
2014	\$35.41	\$55.75	\$91.16
2015	\$36.15	\$57.96	\$94.11
2016	\$37.15	\$60.24	\$97.39
2017 Proposed	\$38.47	\$62.22	\$100.69

The breakdown of the **\$20.68** Rate Increase from 2012 to 2017

- **\$13.32** for CIP Cost Increases, an average increase of **7.3%** per year
- **\$7.36** for Operating Cost Increases, an average increase of **2.8%** per year

Utility Bill – Median User

Charge	Amount	% of Bill
Variable	\$19.42	19%
Fixed	\$35.50	35%
Capital	\$44.72	45%
Defensible Space (watershed protection)	\$1.05	1%
Total	\$100.69	100%

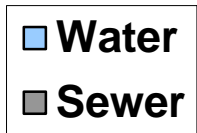
Commercial Rates

Meter Size	Water and Sewer Base Rates Monthly Base Bill
3/4"	\$78.69
1"	\$126.09
1 1/2"	\$243.51
2"	\$384.99
3"	\$715.35
4"	\$1,187.19
6"	\$2,365.71
8"	\$3,780.51

Full Cost Pricing

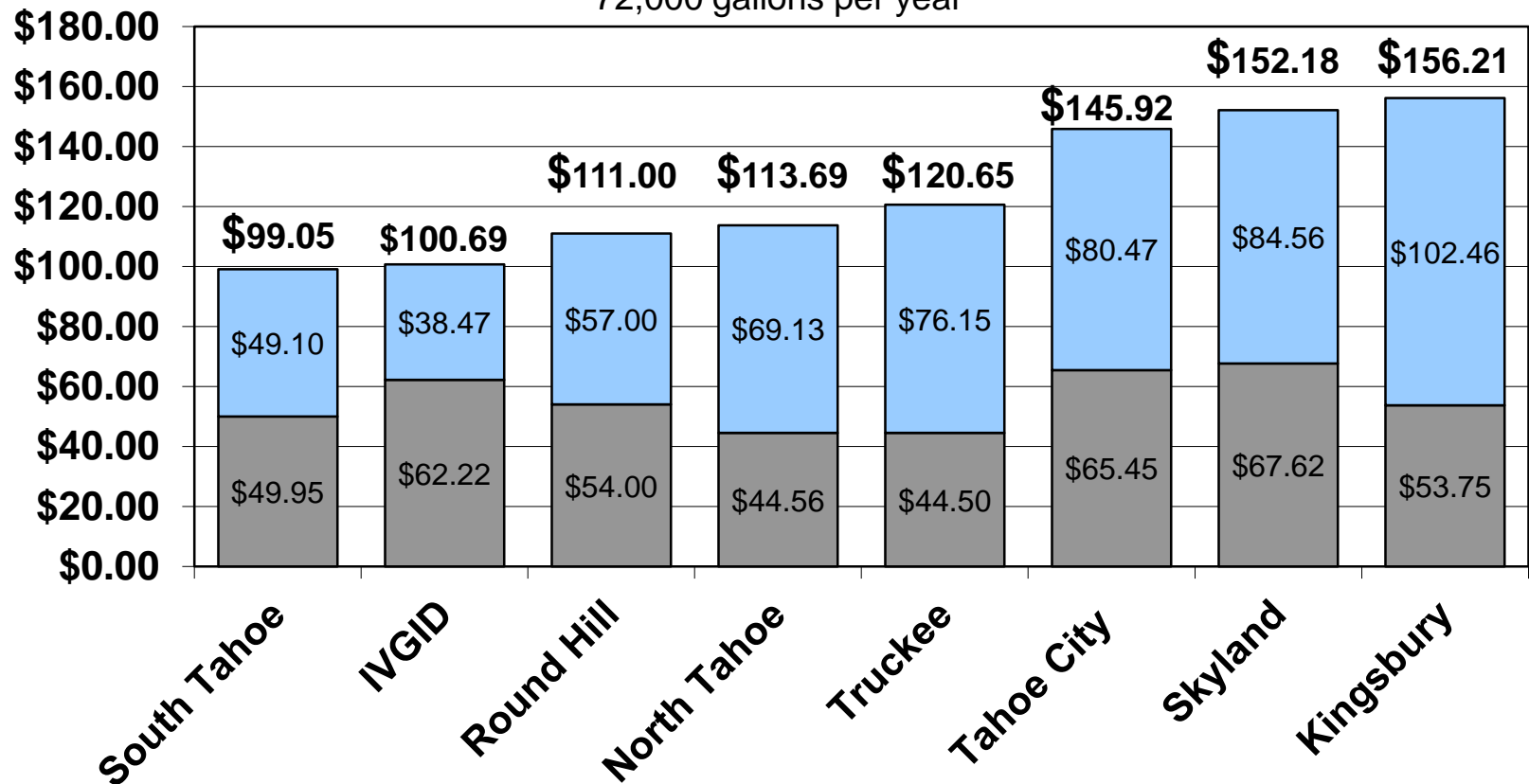
Customer Class	2017-18 Budgeted Expense	2017-18 Budgeted Revenue
Water Rate Fixed	\$1,600,000	\$1,787,000
Water Rate Variable	\$1,580,000	\$1,601,000
Water Rate CIP	\$2,086,000	\$1,877,000
Sewer Rate Fixed	\$2,484,000	\$2,183,000
Sewer Rate Variable	\$1,229,000	\$1,275,000
Sewer Rate CIP	\$2,955,000	\$3,173,000

2017 Utility Bill Comparison



Single Family Average Monthly Bill Rates applied to the Median User

6000 gallons per month
72,000 gallons per year



2017 5-Year Rate Study

- Water Rates - ↑3.6%
- Sewer Rates - ↑3.3%
- Overall Rates - ↑3.4%
- Increase is Spread Across Rate Components
- Average 3.4% Increase for Next 5 Years
- Commodity-Demand Model (fixed, variable, and CIP components)

Other Changes

- Ordinance Language Changes
 - Building is >50% residential, will be billed as residential for rates and connection fees.
Triggered with Building Permit
- No change to user fees (backflow, service calls, inspections)
- 5% Increase to connection fees for water and sewer

Utility Rate Timeline

Activity	Date
Utility Rate Study Presentation	February 8, 2017
Set Date for Public Hearing to Adopt New Utility Rates	February 22, 2017
Notice of Public Hearing Published in Bonanza Newspaper	March 23, 2017
Courtesy Ad for Public Hearing Published in Bonanza Newspaper	April 20, 2017
Conduct Public Hearing and Adopt New Utility Rates	April 26, 2017
New Utility Rates become effective pending approval	May 19, 2017

Recommendation

- That the Board of Trustees provide direction and comment to Staff on the 2017 Five Year Utility Rate Study and proposed utility rate increase for 2017.
- Direct staff to prepare documents and Ordinance 2 and Ordinance 4 amendments for a one year average 3.4% utility rate increase.
Or:
- Direct staff to bring back other options for the February 22, 2017 Board of Trustees Meeting as specified by the Board of Trustees