



Water, Sewer, and Stormwater Rate Study

March 7, 2016

Presentation to the Finance Committee

Presented by:
Eric Callocchia
Manager



Municipal & Financial Services Group



Contents

- 1 Study Summary**
- 2 Proposed Rate Adjustments**
- 3 Projected Cash Balances**
- 4 Recommended FY 2016 Rates**
- 5 Customer Impact of Recommendations**



Rate Study Summary

➤ Rate Study Purpose:

- Develop a multi-year financial plan for the Village's water, sewer and stormwater fund that maintains a minimum reserve balance as determined by Village policy and ensures that rates are properly recalibrated to cover the cost of each independent service
- Analyze the Village's water, sewer and stormwater tier and rate structures and, if applicable, propose alternative rate structures based on historical consumption data and other utility pricing goals, i.e., encouragement of conservation and sensitivity to customer bill impact

➤ Rate Study Recommendations:

- The Village should adopt a multi-year rate plan
- The Village should adjust the water rate tier structure based on the most current consumption data



Major Assumptions - Proposed Rates

- O&M Reserve – 25% of annual operating expenses
- 3R Reserve – 2% of replacement value of system assets by FY2024
- -0.1% annual decrease in customer consumption
- Total capital spending through FY2020 = approximately \$35 million
 - Approximately \$16 million debt funded
- Revised tier structure for water rates
- Continue with volume based storm water rates, as opposed to impervious area
- 4.1% increase in employee-related expenses
- 3.0% increase in cost of Chicago water



Effects of Proposed Rate Adjustment

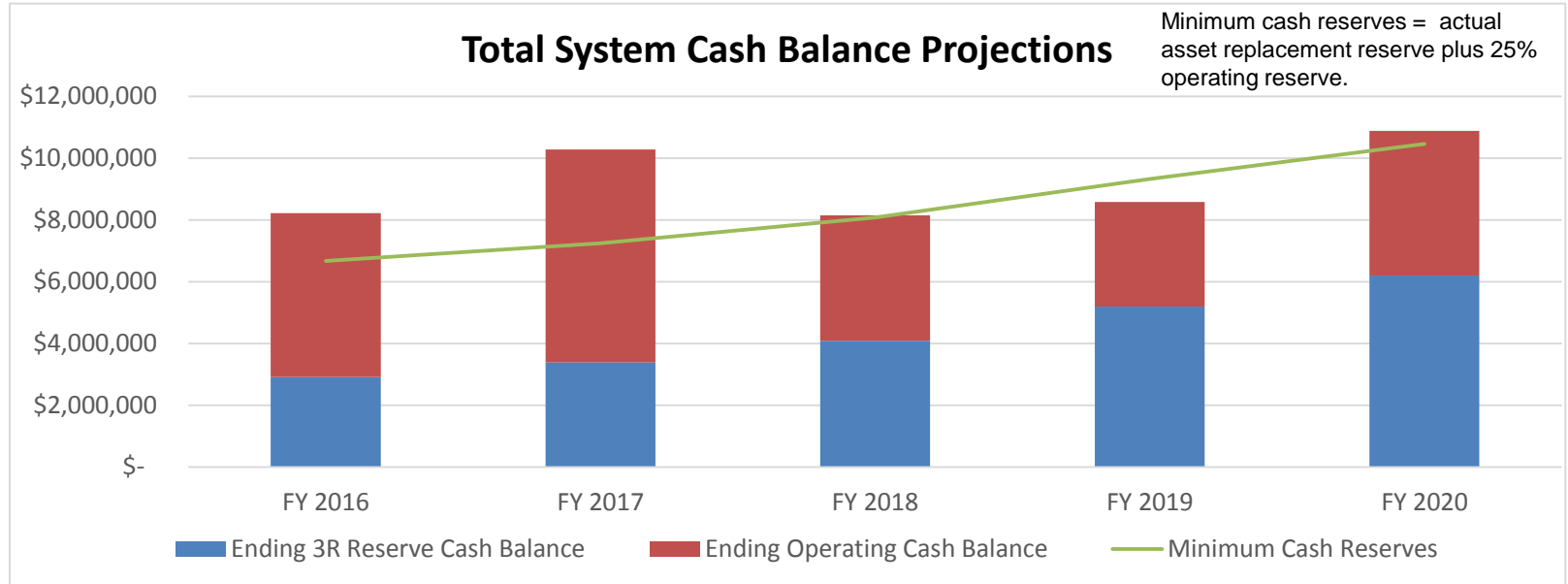
Water Rate Increase Plan	8.0%	5.0%	5.0%	5.0%	5.0%
Water Division Ending Cash Balance	\$7,285,242	\$7,781,896	\$4,835,280	\$4,643,862	\$6,316,845
Water Division Minimum Reserves	\$4,360,900	\$4,682,800	\$5,088,200	\$5,710,700	\$6,223,800
Minimum Amount Met? (Yes/No)	YES	YES	NO	NO	YES

Sewer Rate Increase Plan	20.0%	5.0%	5.0%	5.0%	5.0%
Total Sewer Division Ending Cash Balance	\$1,195,059	\$1,372,877	\$1,708,540	\$2,105,080	\$2,545,666
Sewer Division Minimum Reserves	\$1,399,600	\$1,564,500	\$1,807,400	\$2,062,600	\$2,268,900
Minimum Amount Met? (Yes/No)	NO	NO	NO	YES	YES

Stormwater Rate Increase Plan	100.0%	5.0%	4.0%	3.0%	3.0%
Total Stormwater Division Ending Cash Balance	(\$261,134)	\$1,119,223	\$1,608,090	\$1,829,205	\$2,019,478
Stormwater Division Minimum Reserves	\$911,000	\$999,600	\$1,183,900	\$1,547,800	\$1,962,400
Minimum Amount Met? (Yes/No)	NO	YES	YES	YES	YES



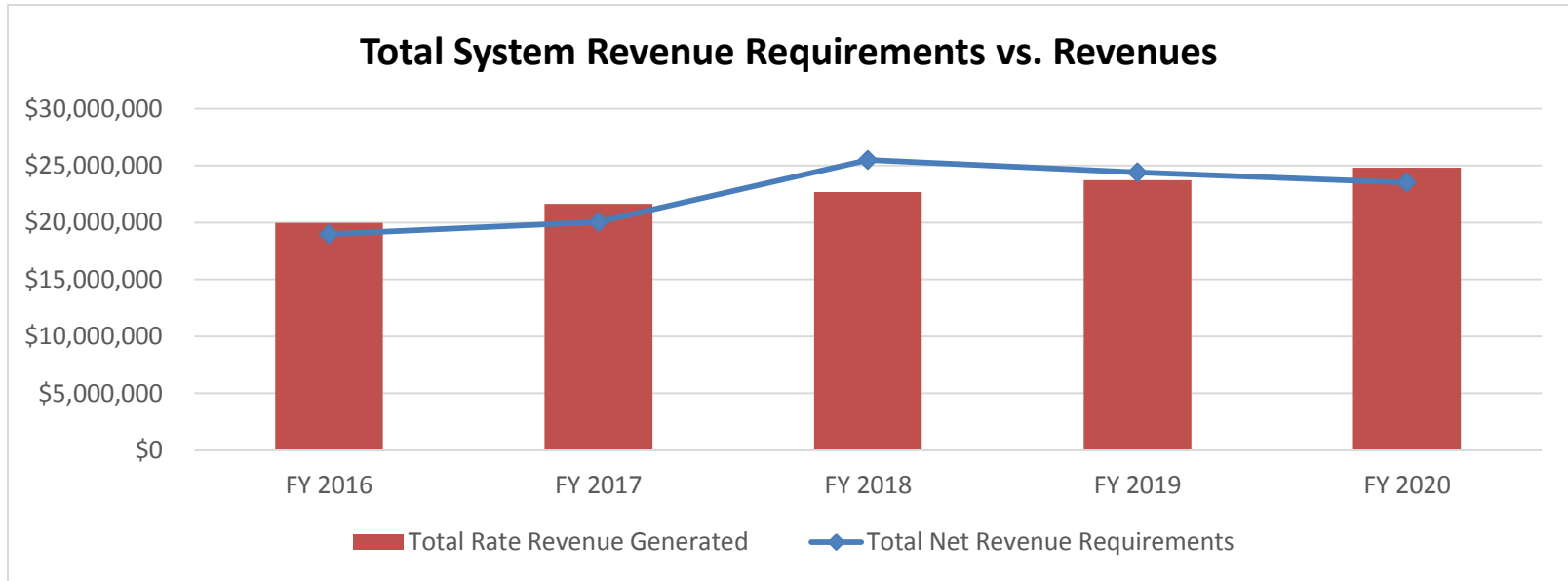
Fund Balance Projections



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total Fund Ending Cash Balance	\$8,219,167	\$10,273,996	\$8,151,910	\$8,578,147	\$10,881,989
Fund Minimum Reserves	\$6,671,400	\$7,246,900	\$8,079,300	\$9,321,000	\$10,455,000
Minimum Amount Met? (Yes/No)	YES	YES	YES	NO	YES



Proposed Revenue Generated



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
--	---------	---------	---------	---------	---------

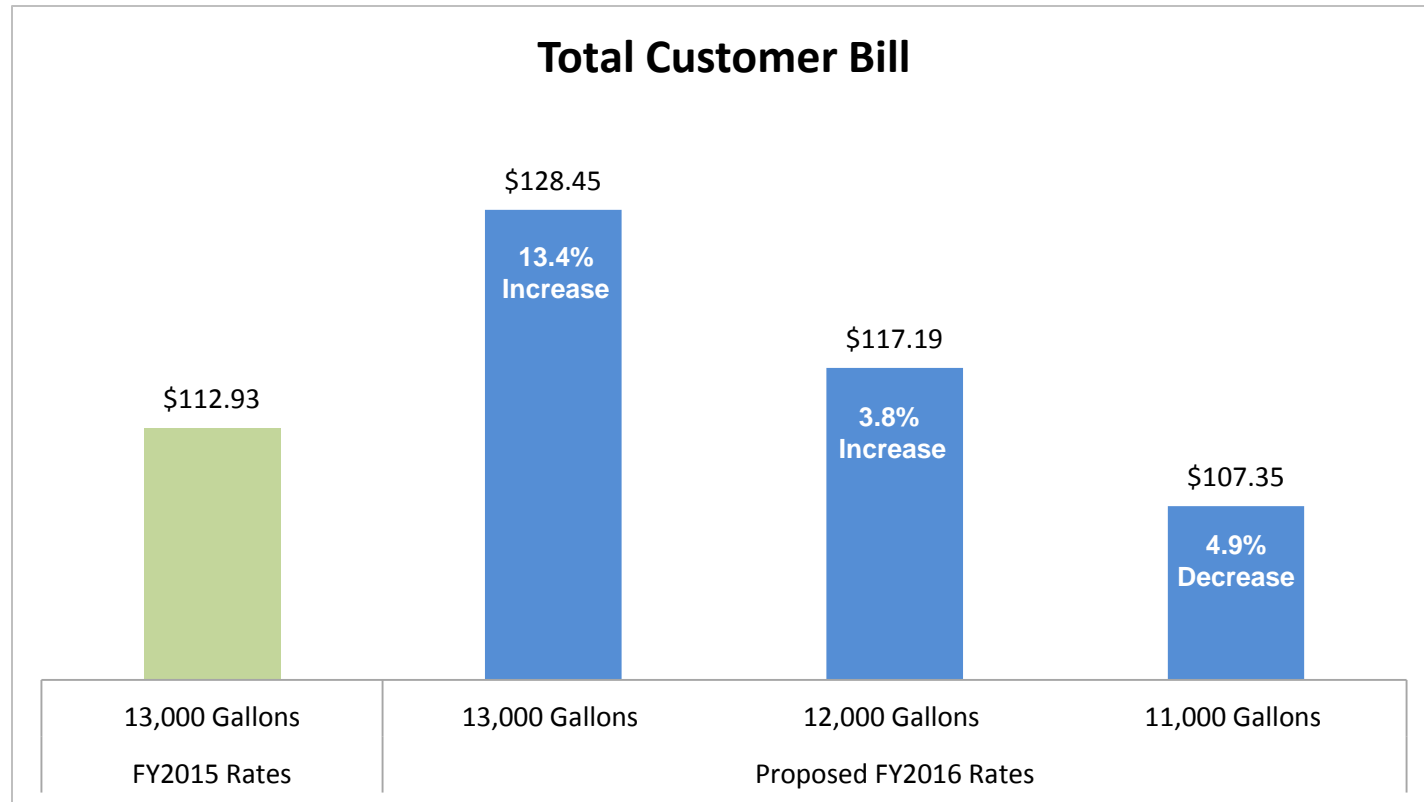
Total Net Revenue Requirements	\$18,976,545	\$20,040,046	\$25,494,425	\$24,402,869	\$23,514,525
Total Rate Revenue Generated	\$19,976,879	\$21,629,529	\$22,666,397	\$23,718,445	\$24,820,123

Recommended Water & Sewer Rates



	Previous FY 2015	Current FY 2016	Proposed FY 2016
<u>Incorporated Customer</u>			
Service Charge per Bill	\$9.00	\$9.00	\$9.00
Volume Charges (per 1,000 gallons)			
<u>Water Rates</u>			
Tier 1: 0 – 9,000	\$5.85	\$6.01	
Tier 2: 9,000 – 18,000	\$7.23	\$7.43	
Tier 3: Over 18,000	\$8.62	\$8.85	
Tier 1: 0 – 7,000			\$5.66
Tier 2: 7,000 – 12,000			\$7.07
Tier 3: 12,000 – 22,000			\$8.49
Tier 4: Over 22,000			\$9.90
<u>Sewer Rates</u>			
Volume Charge (per 1,000 gallons)	\$0.84	\$0.86	\$1.01
<u>Stormwater Rates</u>			
Volume Charge (per 1,000 gallons)	\$0.88	\$0.90	\$1.76

Customer Impact of Recommended Rates



- Although rates may increase over time, decreasing consumption may result in a lower overall bill.



Thank you

Contact Information:

Eric Callocchia, Manager

Municipal & Financial Services Group, LLC

911-A Commerce Road

Annapolis, MD 21401

Office: 410-266-9101

Email: eric.callocchia@mfsgllc.com