



# Utility Rate Analysis

Water, Sewer & Reclaimed Water Rates

*Presentation by Burton & Associates*

# Agenda

- ▶ Relevant Background
- ▶ Summary of Results
- ▶ Overview of Analysis
  - Water System
    - Key Issues & Impacts
  - Sewer System
    - Key Issues & Impacts
    - Reclaimed Water
- ▶ Discussion

# Relevant Background

- ▶ In response to a utility revenue sufficiency and cost allocation analysis conducted in 2011, the Board approved a multi-year rate plan for FY 2012 – FY 2015.
- ▶ In order to continue to provide for current and future requirements, the Utilities Department directed this analysis to evaluate a new plan of water, sewer and reclaimed water rate adjustments for FY 2016 – FY 2019.
  - Multi-year small rate adjustments avoid large “one time” increases
  - Well planned rate schedule ensures a healthy utility operation
  - Financial health provides bond market certainty

# Summary of Results

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## **“Typical” Retail Customer Account**

Based on 5,000 Gallons per Month

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	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
<b>Water Bill</b>	<b>\$30.25</b>	<b>\$30.76</b>	<b>\$31.32</b>	<b>\$31.88</b>	<b>\$32.45</b>
<b>Sewer Bill</b>	<b><u>\$37.46</u></b>	<b><u>\$37.46</u></b>	<b><u>\$37.84</u></b>	<b><u>\$38.22</u></b>	<b><u>\$38.61</u></b>
<b>Total Bill</b>	<b>\$67.71</b>	<b>\$68.22</b>	<b>\$69.16</b>	<b>\$70.10</b>	<b>\$71.06</b>
<b>\$ Change</b>	<b>N/A</b>	<b>\$0.51</b>	<b>\$0.94</b>	<b>\$0.94</b>	<b>\$0.96</b>
<b>% Change</b>	<b>N/A</b>	<b>0.75%</b>	<b>1.38%</b>	<b>1.36%</b>	<b>1.37%</b>

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**More moderate than recent increases adopted in FY 2012 – FY 2015**

# Water System – Results

- ▶ No new debt projected for funding of capital
- ▶ Combined reserve target satisfied
  - Midrange financial profile of rating agencies
- ▶ Plan of small rate adjustments should provide sufficient revenue through FY 2019
- ▶ No cost of service based adjustments at this time
  - Plan of rate adjustments from prior study is generally on track
  - Current allocation methodology is heavily based upon metered flow by customer class



# Water System – Proposed Rate Plan

- ▶ Analysis resulted in the following plan of annual rate adjustments:

## 4-Year Projection of Water Rate Revenue Increase Requirements

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
<b>Retail</b>	<b>1.75%</b>	<b>1.75%</b>	<b>1.75%</b>	<b>1.75%</b>
<b>Wholesale</b>	<b>1.75%</b>	<b>1.75%</b>	<b>1.75%</b>	<b>1.75%</b>

- ▶ Applied to existing base and volume charges for FY 2016
- ▶ Prior 4-year plan of revenue increases: 2.0% Retail / 4.0% Wholesale

# Water System – Impact of Results

## Retail Service Rates

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Base Charge	\$6.35	\$6.46	\$6.57	\$6.68	\$6.80
Usage Charge (\$ / TGAL)	\$4.78	\$4.86	\$4.95	\$5.04	\$5.13
Monthly Bill (5,000 gallons)	\$30.25	\$30.76	\$31.32	\$31.88	\$32.45

## Wholesale Service Rate

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Wholesale Rate	\$3.8557	\$3.9232	\$3.9919	\$4.0618	\$4.1329

Note: TGAL = Thousand Gallons

# Sewer System – Results

- ▶ No new debt projected for funding of capital
- ▶ Combined reserve target satisfied
  - Strong financial profile of rating agencies
- ▶ Debt service coverage targets satisfied
- ▶ Plan of small rate adjustments should provide sufficient revenue through FY 2019
- ▶ No cost of service based adjustments at this time
  - Current sewer rates reflect fair and equitable allocation of costs between retail and wholesale customer classes





# Sewer System – Proposed Rate Plan

- Analysis resulted in the following plan of annual rate adjustments:

## **4-Year Projection of Sewer Rate Revenue Increase Requirements**

	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>
<b>Retail</b>	<b>0.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>
<b>Wholesale</b>	<b>0.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>

- No adjustment to existing base and volume charges for FY 2016
- Prior 4-year plan of revenue increases: 6.0% Retail / 9.0% Wholesale

# Sewer System – Impact of Results

## Retail Service Rates

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Base Charge	\$13.26	\$13.26	\$13.39	\$13.52	\$13.66
Usage Charge (\$ / TGAL)	\$4.84	\$4.84	\$4.89	\$4.94	\$4.99
Monthly Bill (5,000 gallons)	\$37.46	\$37.46	\$37.84	\$38.22	\$38.61

## Wholesale Service Rate

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Wholesale Rate	\$4.1783	\$4.1783	\$4.2201	\$4.2623	\$4.3049

# Reclaimed Water Rate Analysis

## ► We recommend:

- Continue monthly user fee increases for unfunded and funded unmetered reclaimed water of \$1.00 per year through FY 2019
- Increase unfunded and funded metered user fee by the annual percentage increase in unfunded-unmetered monthly user fees
- Adjust service agreements with wholesale/large users by the same percentage as unfunded-unmetered, where possible
- Target level of future cost recovery is 50%, currently at 33%
- Residual costs not recovered by reclaimed rates stay within the sewer fund

# Reclaimed Water Impact of Results – Unfunded Systems

## Monthly Bill – Unmetered Service

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Availability Charge	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
User Fee	<u>\$12.00</u>	<u>\$13.00</u>	<u>\$14.00</u>	<u>\$15.00</u>	<u>\$16.00</u>
Total Bill	\$19.00	\$20.00	\$21.00	\$22.00	\$23.00

## Monthly Bill – Metered Service

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Availability Charge	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
User Fee (20 TGAL)	<u>\$19.20</u>	<u>\$20.20</u>	<u>\$21.20</u>	<u>\$22.20</u>	<u>\$23.20</u>
Total Bill	\$26.20	\$27.20	\$28.20	\$29.20	\$30.20

Rate (\$ / TGAL)	\$0.96	\$1.01	\$1.06	\$1.11	\$1.16
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# Reclaimed Water Impact of Results – Funded Systems

## Monthly Bill – Unmetered Service

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
User Fee	<u>\$18.00</u>	<u>\$19.00</u>	<u>\$20.00</u>	<u>\$21.00</u>	<u>\$22.00</u>
Total Bill	\$18.00	\$19.00	\$20.00	\$21.00	\$22.00

## Monthly Bill – Metered Service

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
User Fee (20 TGAL)	<u>\$19.20</u>	<u>\$20.20</u>	<u>\$21.20</u>	<u>\$22.20</u>	<u>\$23.20</u>
Total Bill	\$19.20	\$20.20	\$21.20	\$22.20	\$23.20

Rate (\$ / TGAL)	\$0.96	\$1.01	\$1.06	\$1.11	\$1.16
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# Future Rates

- ▶ Outlook is positive due in large part to recent rate adjustments
- ▶ Rate revenue increase requirements will be affected by:
  - Increases in cost of purchased water from Tampa Bay Water (TBW)
  - Timing & extent of future infrastructure R&R requirements
  - Any changes in demands and/or operating costs
  - Policies/programs adopted by the Board as a result of the Utility Business Case study.

# Financial Planning Recommendations

- ▶ Adopt proposed water, sewer and reclaimed water rate adjustment plans through FY 2019
- ▶ Continue to update financial plan for water and sewer systems annually to account for changes in:
  - Demands, Regulatory Requirements, Operating & Capital Improvement Budgets/Cost Estimates, Adopted Policies/Programs
- ▶ Make changes to plan of water and sewer rate adjustments as necessary

# **Pinellas County Next Steps**

- ▶ February 24 – Permission to advertise public hearing
- ▶ February 25 - May 18 – Written notice to all customers
- ▶ May 19 – Public hearing to adopt rate plan





**Thank You!**