



Proposed Increase In Rates In Water, Sewer and Reclaimed

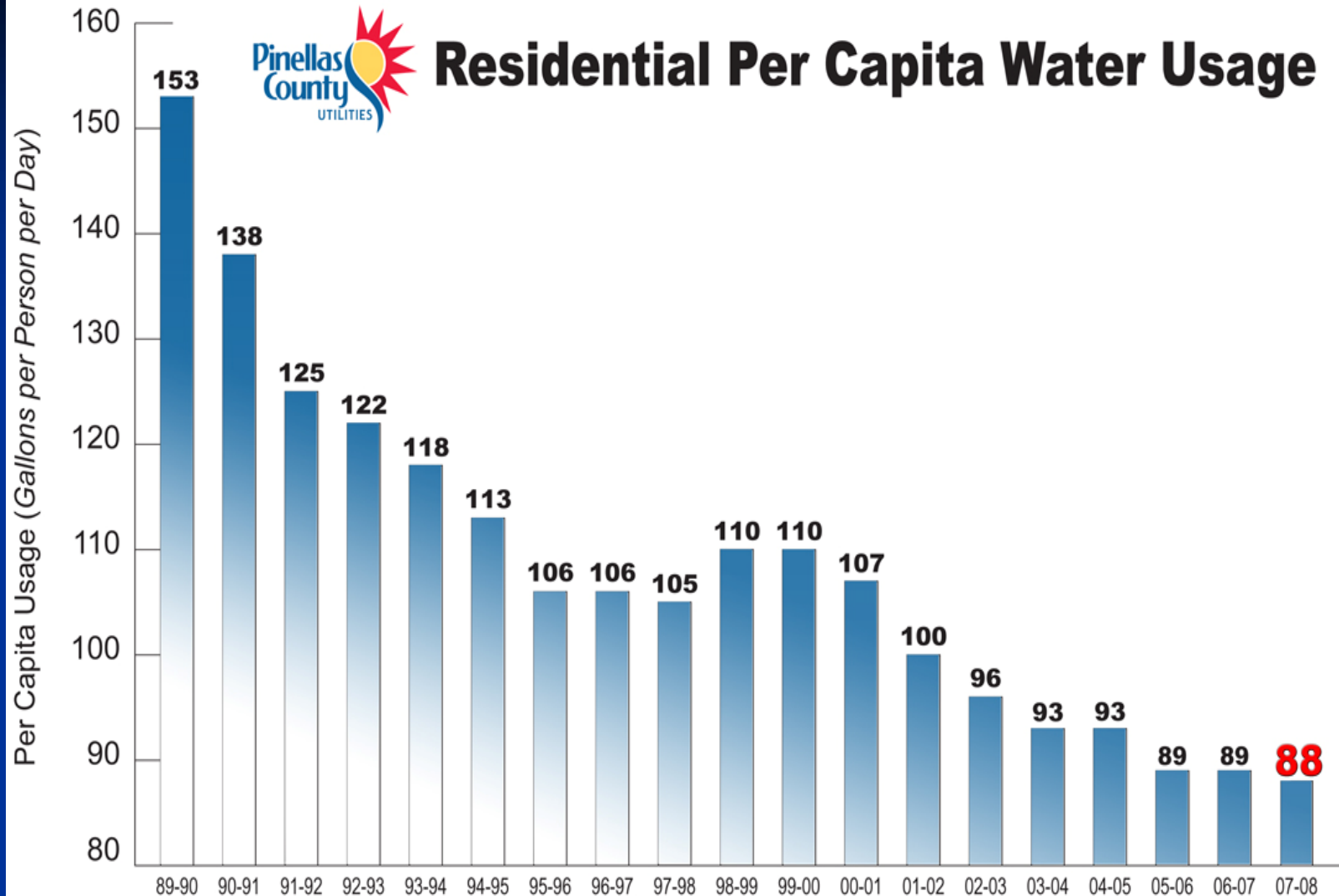
June 9, 2009



WATER



Residential Per Capita Water Usage

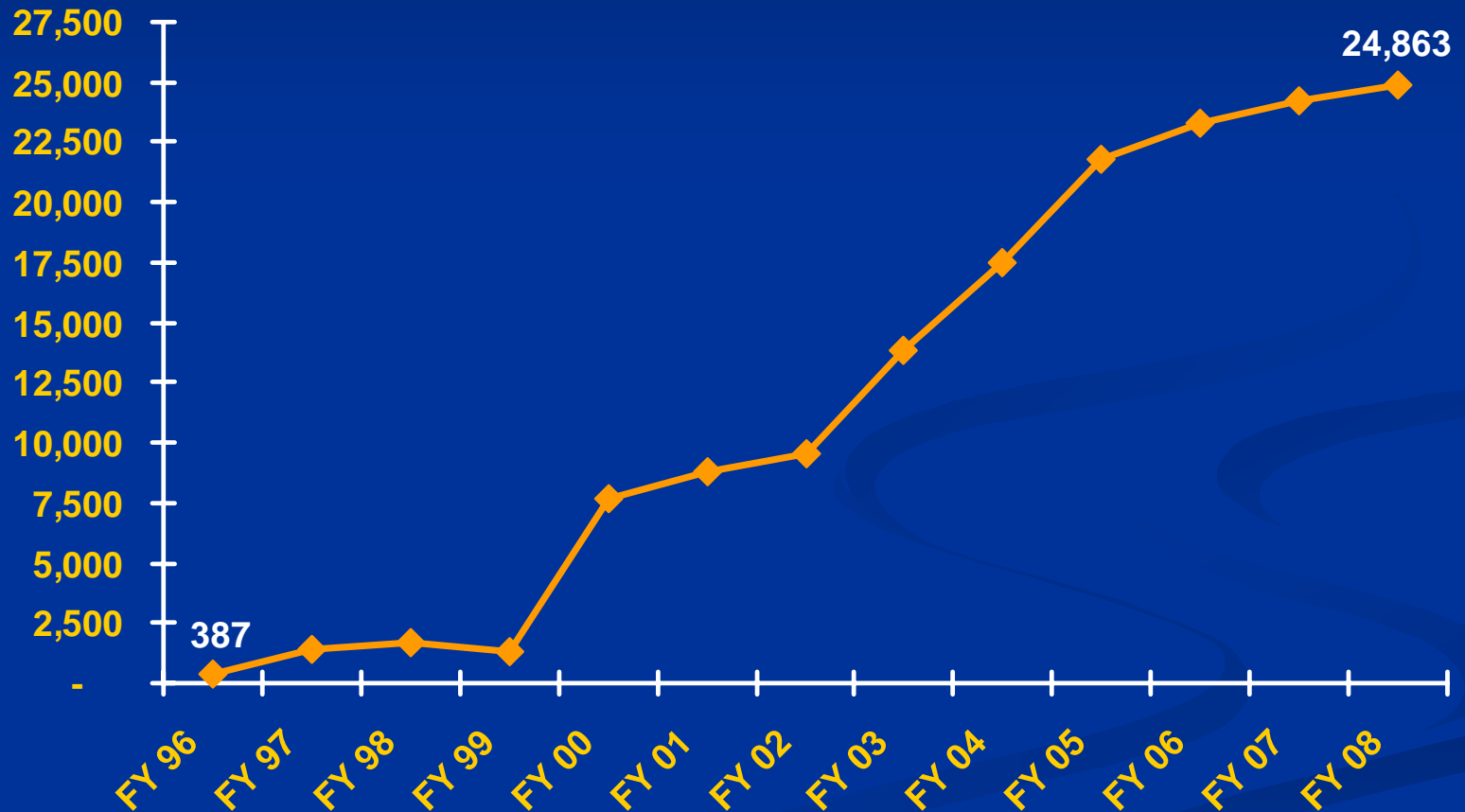


A. Annual usage is calculated by using six consecutive bi-monthly billing periods (1 year of billing).

B. Population is calculated by taking the total number of single-family accounts multiplied by 2.31 persons per household, plus multi-family accounts multiplied by 1.31 persons per household for those accounts that had six consecutive billing periods.

Rev. 11/14/08

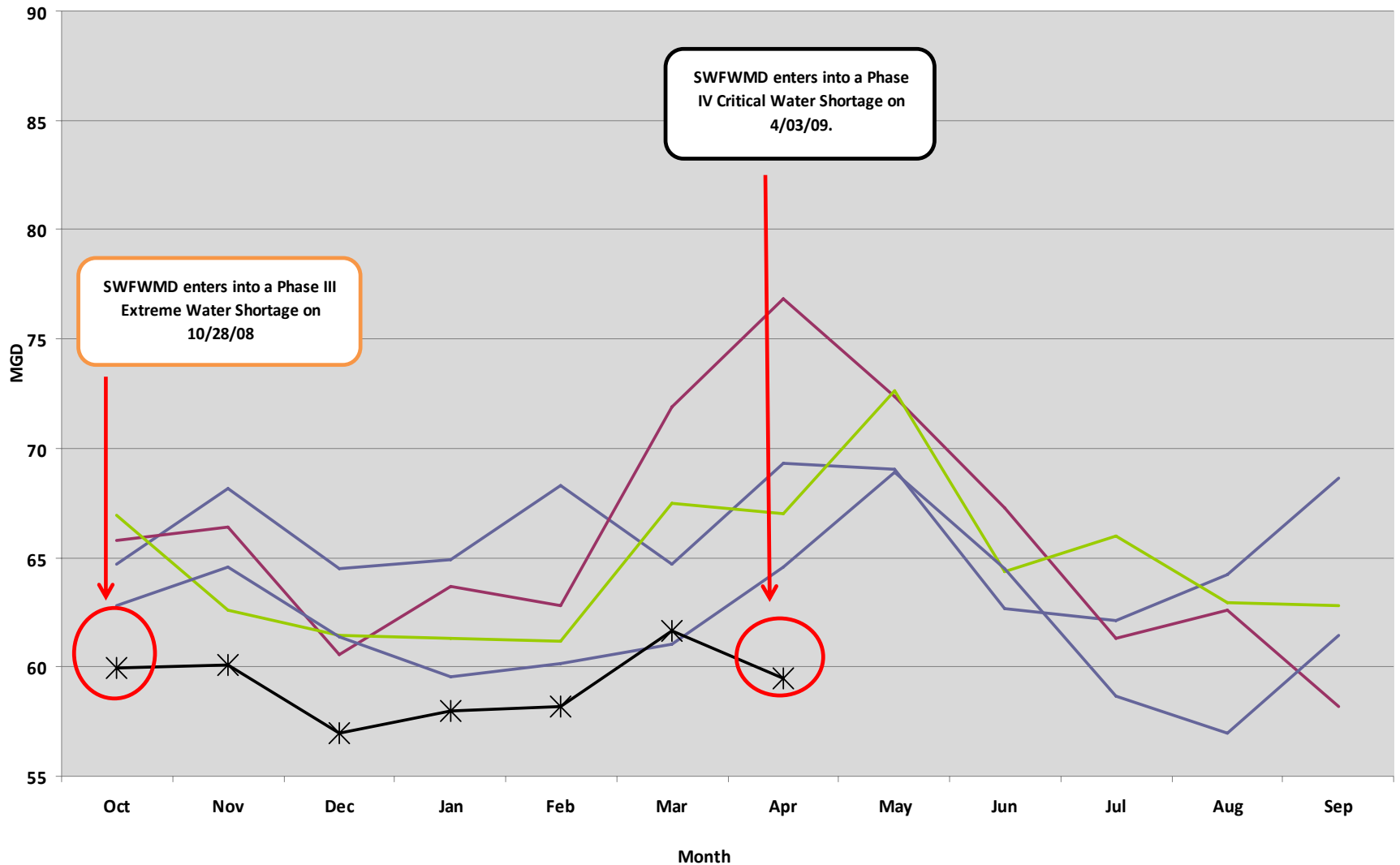
Reclaimed Water Accounts



Monthly Water Purchase

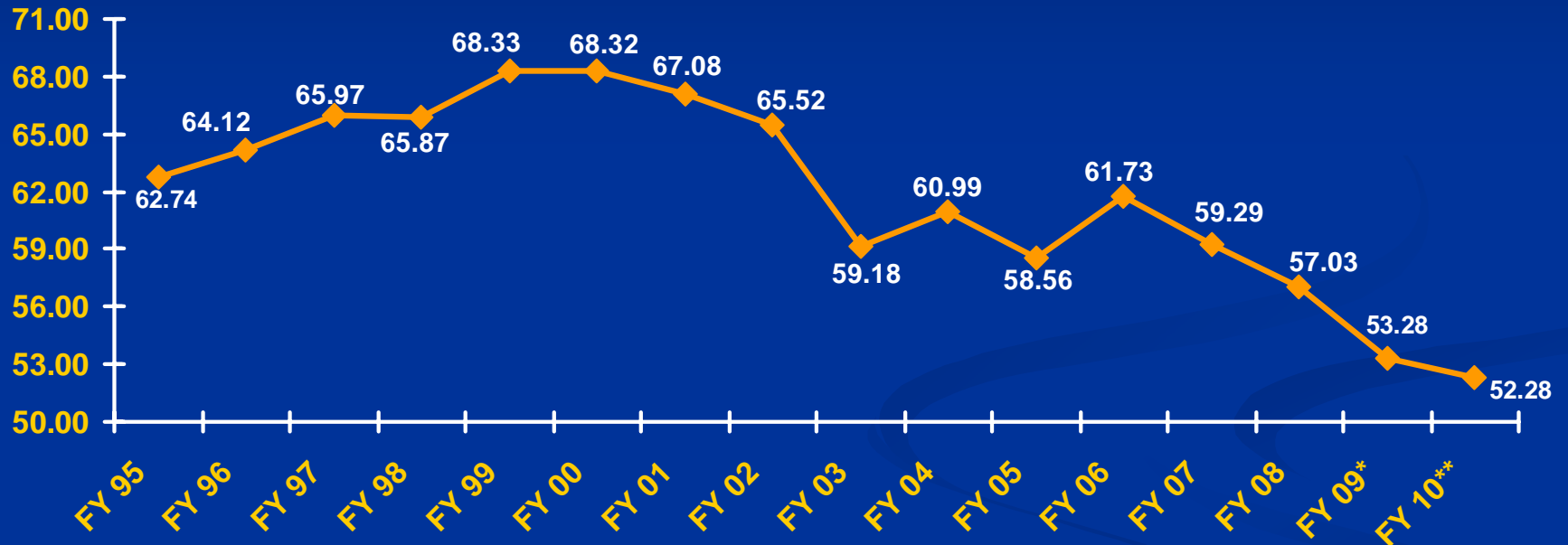
FY 2005 - 2009

FY 05 FY 06 FY 07 FY 08 FY 09



Water Sales

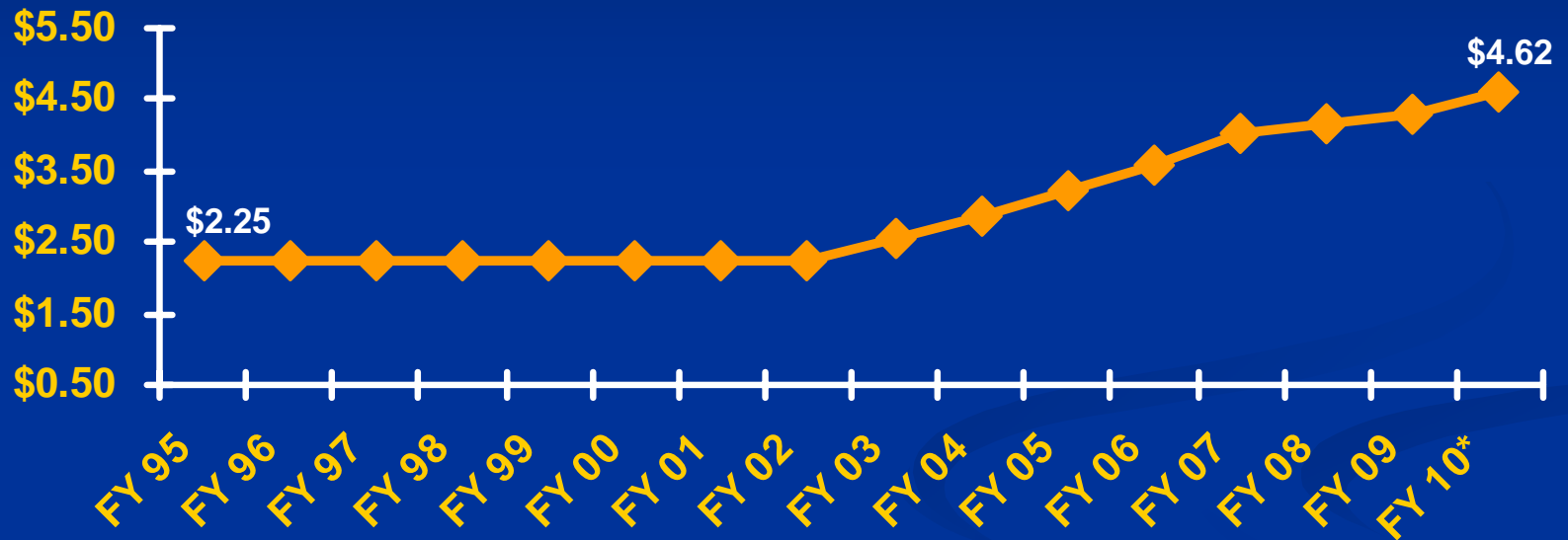
(MGD)



*Projection **Budget

Retail Water Volumetric Rates

(per 1,000 gallons)

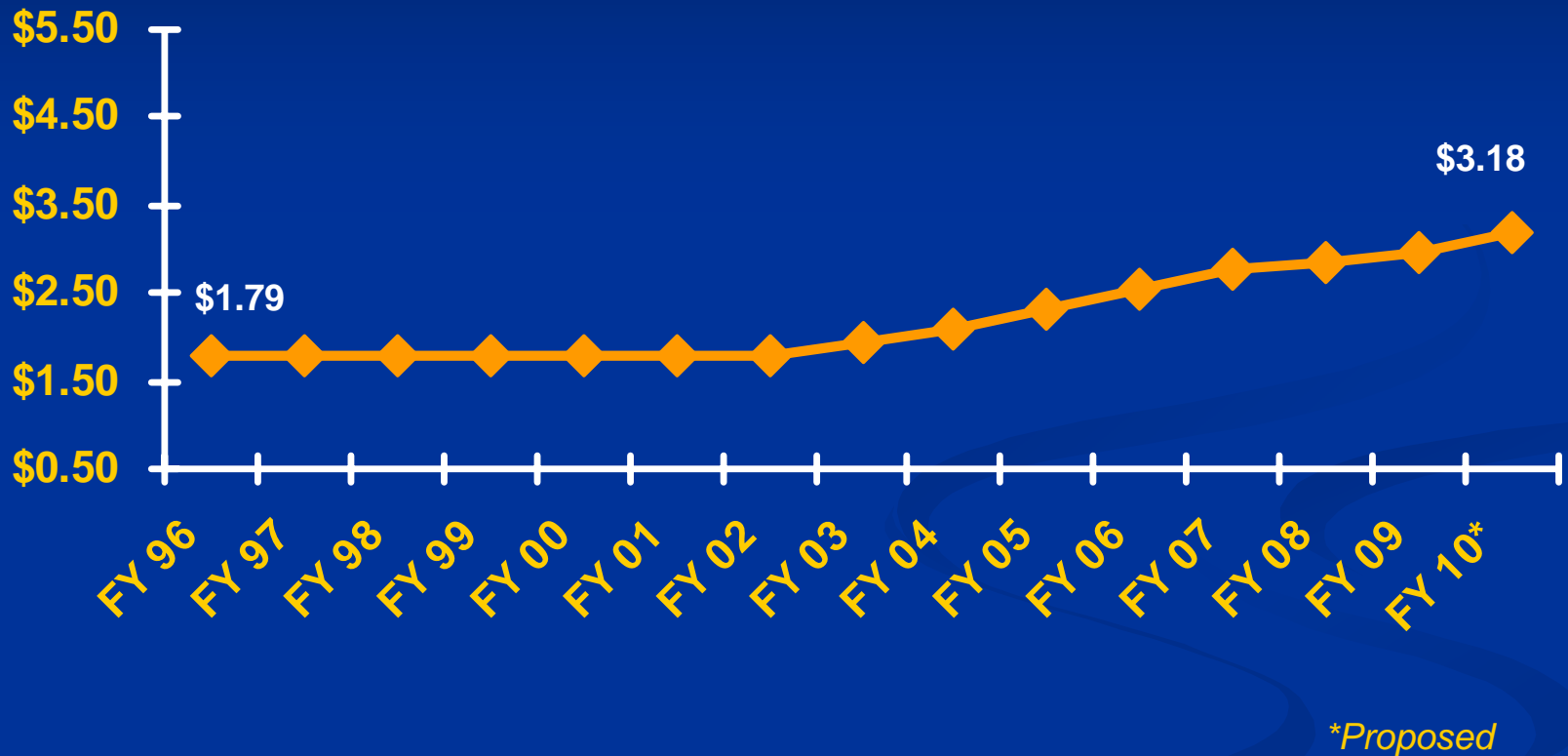


**Proposed*

NOTES: In FY 99, TBW began to supply all of our water.

Wholesale Water Volumetric Rates

(per 1,000 gallons)



NOTES: In FY 99, TBW began to supply all of our water.

Amount Paid to Tampa Bay Water

(in \$1,000's)



*Projection **Budget



SEWER

Sewage Billed

(MGD)

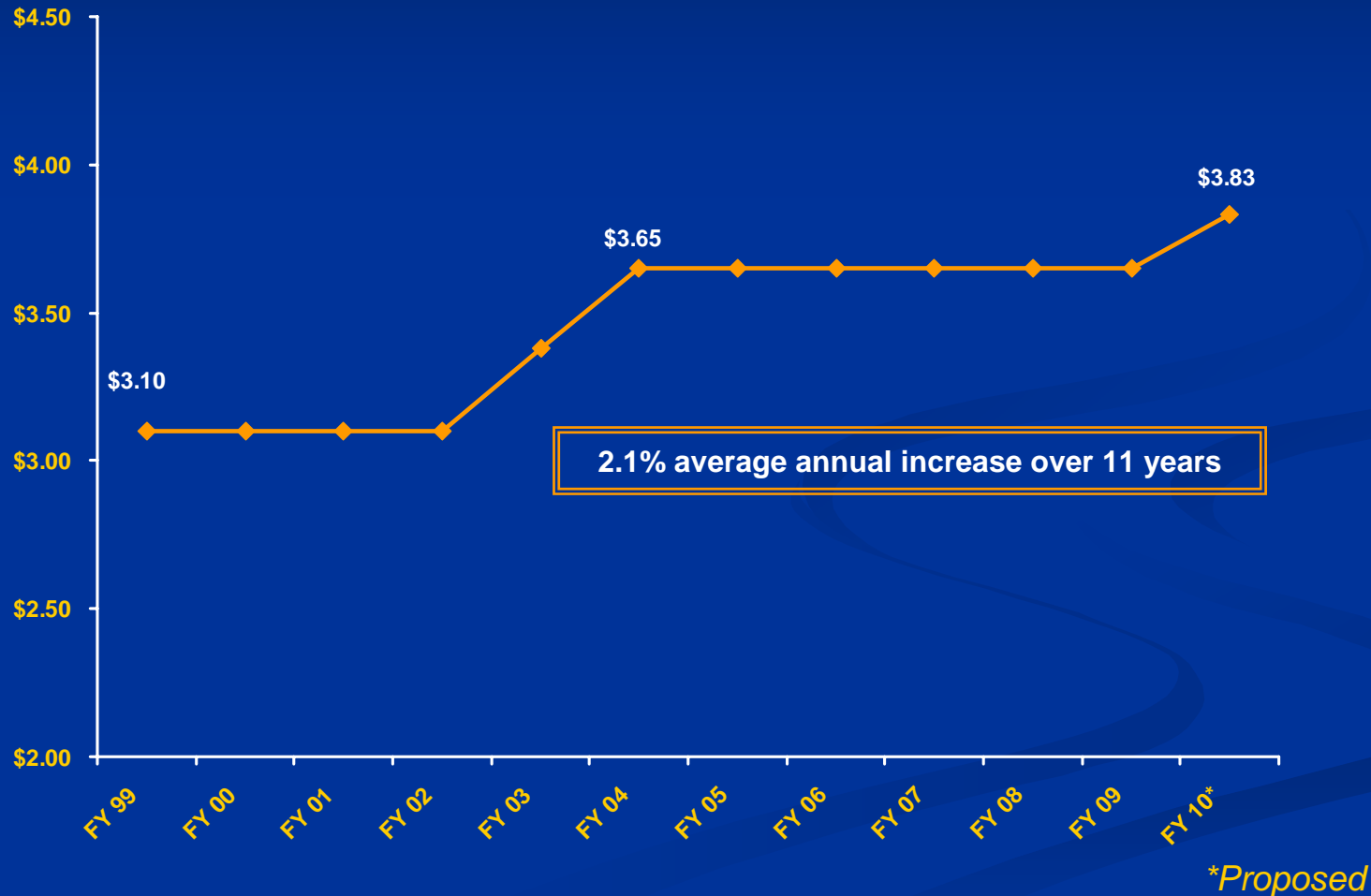


**Budget*

NOTE: FY 03 increase due to 73" of rainfall

Retail Sewer Volumetric Rates

(per 1,000 gallons)



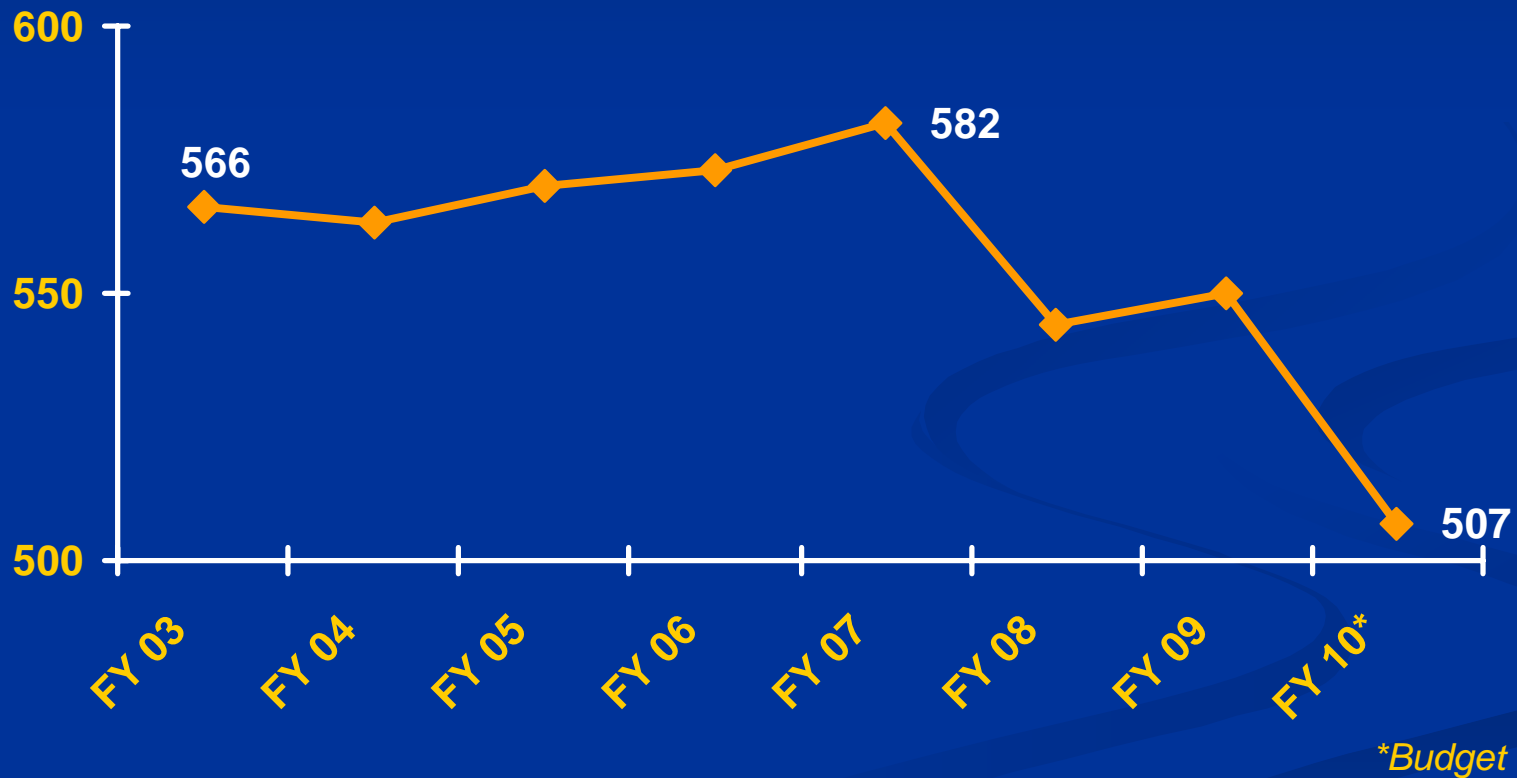
NOTE: There is a proposed increase in monthly base rate charge from \$10.00 to \$10.50

Wholesale Sewer Volumetric Rates

(per 1,000 gallons)



Water and Sewer Number of F/T Permanent Positions



Water and Sewer Cost Reductions

Current Year

- ▶ Positions
 - Reduction of 9 permanent positions
- ▶ Operating & Maintenance Budget
 - Water and Sewer
 - Reduced by 9%

Water and Sewer Budget Reductions

FY 09/10

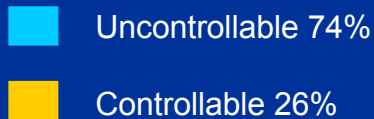
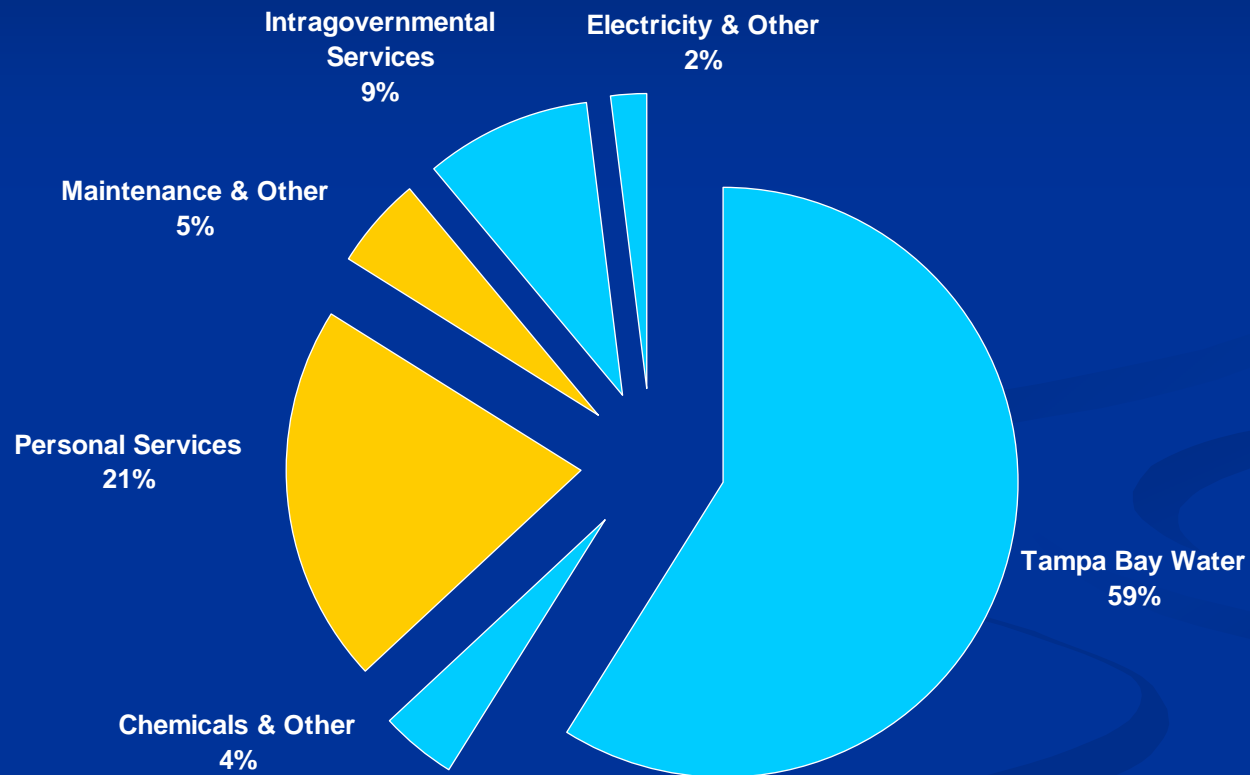
► Positions

- Reduction of 44 permanent positions
- Reduction of 8 temporary positions

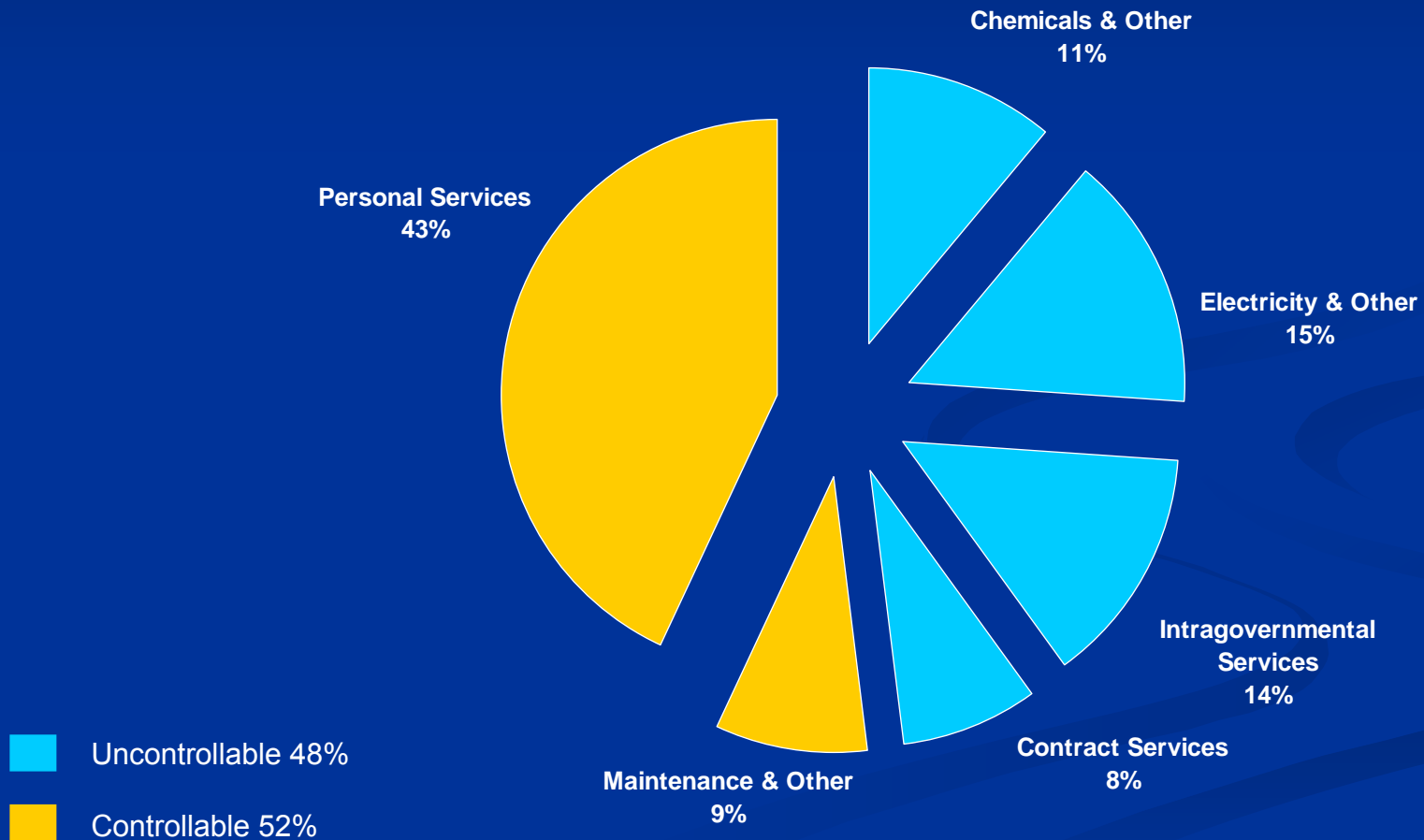
► Operating & Maintenance Budget

- Water
 - Reduction of \$3,976,500
- Sewer
 - Reduction of \$4,424,240

Water System FY 09/10 Operating Expenses



Sewer System FY 09/10 Operating Expenses



Burton & Associates

Agenda

- ▶ Introduction of Burton & Associates
- ▶ Study Objectives
 - Revenue Sufficiency
 - Water System
 - Sewer System
 - Reclaimed Water
 - Rate Design / Other
 - Conservation Rates
 - Miscellaneous Fees & Charges
- ▶ Conclusions
- ▶ Recommendations

Introduction of Burton & Associates

► Firm Background

- Multi-year financial planning & rate services to local governments
 - Interactive modeling process and tools
- Emphasis in water resources financial planning & economics
- Some of our clients in the greater Tampa area
 - Clearwater, St. Petersburg, Tarpon Springs, New Port Richey, Dunedin, Safety Harbor, Indian Rocks Beach

► Project Staff

- Mike Burton – President & Principal In Charge
- Andy Burnham – Senior Vice President & Project Manager
- Eric Grau – Consultant & Project Analyst

Revenue Sufficiency Analysis

Water System

Water System – Financial Summary

► Key Challenges

- Recent & Projected Retail & Wholesale Demand Reductions
 - 16% total billed demand reduction from FY 2006 – FY 2009
 - 17% total billed demand reduction from FY 2009 – FY 2014
- Tampa Bay Water Rate Increases
 - 7% in FY 2010, 10% in FY 2011
 - Total expense continues to increase despite demand reductions
- Funding of Infrastructure R&R - \$70M (FY 2009 – FY 2014)
Some of the major CIP projects are:
 - Water Transmission Main & Distribution Replacement - \$18M
 - Belcher Road 48" Main Replacement - \$11M
 - Relocation of Water Lines - US 19 - \$7M
 - Does not include Blending Facility Costs

Water System – Financial Summary

► Key Challenges

- Full Allocation of Reclaimed Water Revenue Shortfall
 - Increases from \$3.2M to \$8.2M annually by FY 2017
- Maintaining Adequate Reserves
 - Operating Reserve target of 2.5 months of O&M Expenses
 - R&R Reserve target of 5% of prior year gross revenues

Water System – Results

► Negative Annual Cash Flow

- \$5M in FY 2010, increasing to \$10M in FY 2011 with current rates
- Without rate adjustments, reserve requirements would not be met by FY 2011

5-Year Projection of Water Rate Revenue Increase Requirements

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Retail	8.00%	15.00%	15.00%	3.00%	3.00%
Wholesale	8.00%	15.00%	15.00%	3.00%	3.00%

Impacts of Identified Water Rate Revenue Increase Requirements

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Res. Bill (6000 Gallons)	\$28.68	\$30.97	\$35.62	\$40.96	\$42.19	\$43.46
Wholesale Rate	\$2.95	\$3.18	\$3.66	\$4.21	\$4.34	\$4.47

Water System - Future Rates

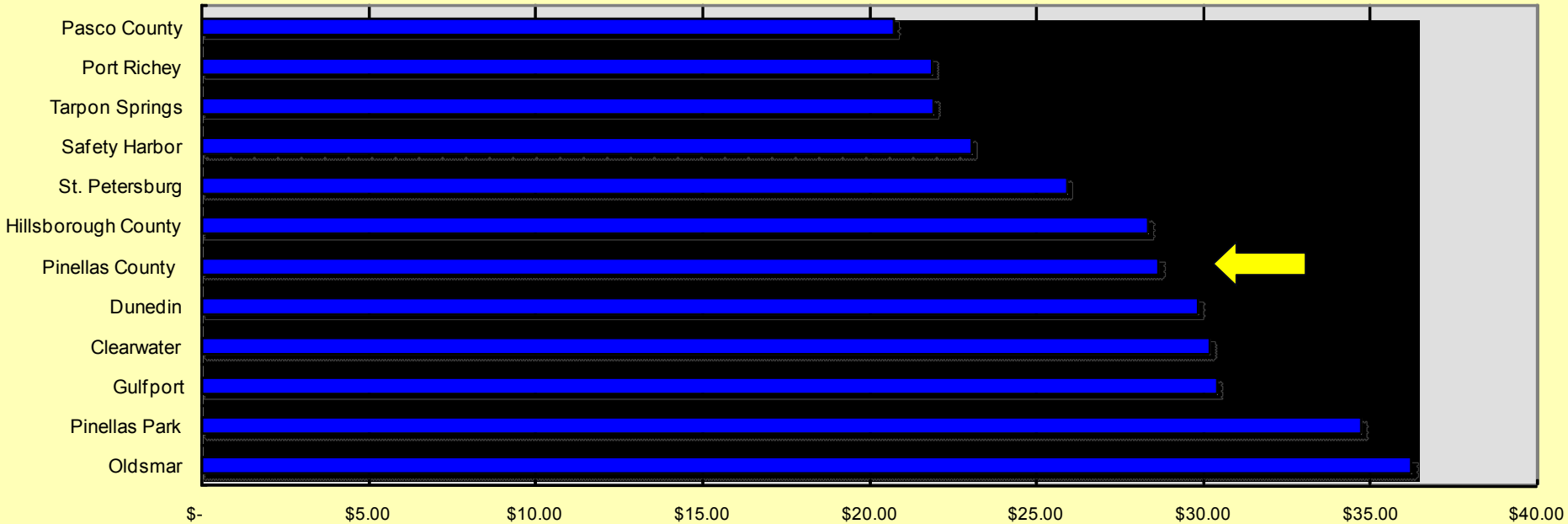
- ▶ Future Rate Increases Needed for Cash Flow & Reserves
- ▶ Rate Revenue Increase Requirements Will Be Affected By:
 - Timing & Extent of Wholesale Demand Reductions
 - 1 MGD in FY 2010 & FY 2011 – Clearwater
 - 3.5 MGD in FY 2012 – Tarpon Springs
 - Funding of Capital Improvement Requirements
 - Currently cash-funded consistent with past practice
 - Could use financing to minimize/spread rate increase requirements

Projection of Water Rate Revenue Increases with \$20M of Borrowing

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Retail/Wholesale	8.00%	10.50%	10.50%	10.50%	3.50%

FY 2009 Residential Rate Survey

Water Bill Survey @ 6000 Gallons Per Month



	Oldsmar	Pinellas Park	Gulfport	Clearwater	Dunedin	Pinellas County	Hillsborough County	St. Petersburg	Safety Harbor	Tarpon Springs	Port Richey	Pasco County
Water Bill	\$36.24	\$34.73	\$30.40	\$30.20	\$29.84	\$28.68	\$28.35	\$25.93	\$23.06	\$21.93	\$21.90	\$20.75

Water Bill

Current PCU = \$28.68
FY 2010 PCU = \$30.97
Survey Average = \$27.00

Revenue Sufficiency Analysis

Sewer System

Sewer System – Financial Summary

► Key Challenges

- Recent Retail & Wholesale Demand Reductions
 - 5% total billed demand reduction from FY 2006 – FY 2009
- Funding of Infrastructure R&R - \$100M (FY 2009 – FY 2014)

Some of the major CIP projects are:

- Series 2008 Bonded Projects - \$36M
 - Includes: Pump Station Renewal & Replacement - \$14M
 - Two-Phase Digester Conversion - \$6M
 - Public Works Road Projects - \$5M
- South Cross & WE Dunn WRF Improvements - \$27M
- Collection System Modifications/Improvements - \$10M

Sewer System – Financial Summary

► Key Challenges

- Meeting Debt Service Coverage Requirements/Covenants
 - Minimum net income to debt service ratio is 1.15 / 1.25
 - Set rates based upon a target ratio of 1.50
 - Target planning level for good utilities set by rating agencies
 - Provides buffer for future unplanned circumstances
 - Rate plan achieves target starting in FY 2011
- Maintaining Adequate Reserves
 - Operating Reserve target of 2.5 months of O&M Expenses
 - R&R Reserve target of 5% of prior year gross revenues

Sewer System – Results

- ▶ Very close to minimum required debt service coverage ratio
 - FY 2009 estimated at 1.29 / 1.33
 - Without rate adjustments, FY 2010 projected at 1.21 / 1.24

5-Year Projection of Sewer Rate Revenue Increase Requirements

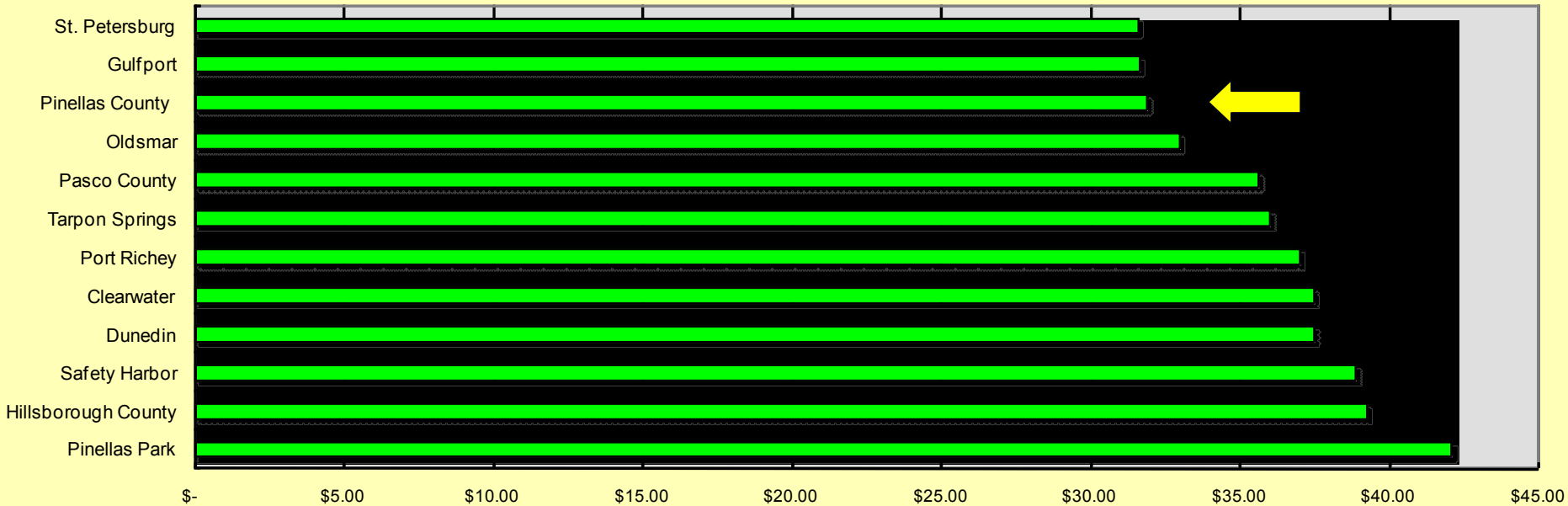
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Retail	5.00%	2.50%	2.50%	2.50%	2.50%
Wholesale	5.00%	2.50%	2.50%	2.50%	2.50%

Impacts of Identified Sewer Rate Revenue Increase Requirements

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Res. Bill (6000 Gallons)	\$31.90	\$33.50	\$34.33	\$35.19	\$36.07	\$36.97
Wholesale Rate	\$2.82	\$2.96	\$3.04	\$3.11	\$3.19	\$3.27

FY 2009 Residential Rate Survey

Sewer Bill Survey @ 6000 Gallons Per Month



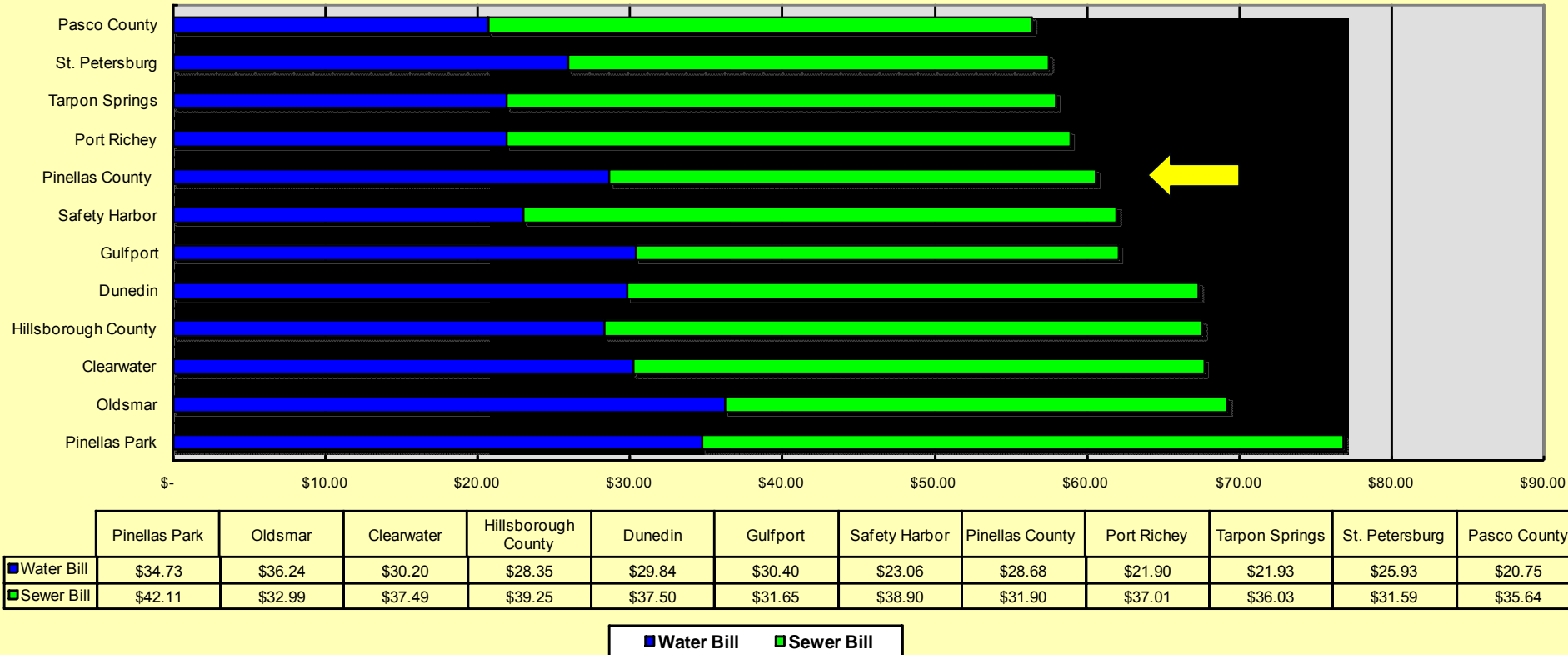
	Pinellas Park	Hillsborough County	Safety Harbor	Dunedin	Clearwater	Port Richey	Tarpon Springs	Pasco County	Oldsmar	Pinellas County	Gulfport	St. Petersburg
■ Sewer Bill	\$42.11	\$39.25	\$38.90	\$37.50	\$37.49	\$37.01	\$36.03	\$35.64	\$32.99	\$31.90	\$31.65	\$31.59

■ Sewer Bill

Current PCU = \$31.90
FY 2010 PCU = \$33.50
Survey Average = \$35.73

FY 2009 Residential Rate Survey

Combined Water & Sewer Bill Survey @ 6000 Gallons Per Month



Current PCU = \$60.58
 FY 2010 PCU = \$64.47
 Survey Average = \$62.73

Reclaimed Water System

- ▶ Performed Cost of Service vs. Revenue Analysis
 - Includes O&M, Existing Capital Investment, and CIP
 - FY 2010 Cost of Service = \$16.3M vs. Revenue of \$2.3M
- ▶ Market Precludes Full Cost Recovery Reclaimed Water Rates
- ▶ Developed Plan of Annual Rate Adjustments & Allocated Annual Shortfall to Water (51%) & Sewer (49%)

5-Year Plan of Reclaimed Water Rate Revenue Increases

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
% Increase	11.11%	10.00%	9.09%	8.33%	7.69%

Impacts of Identified Reclaimed Water Rate Revenue Increases

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Res. Bill	\$9.00	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00

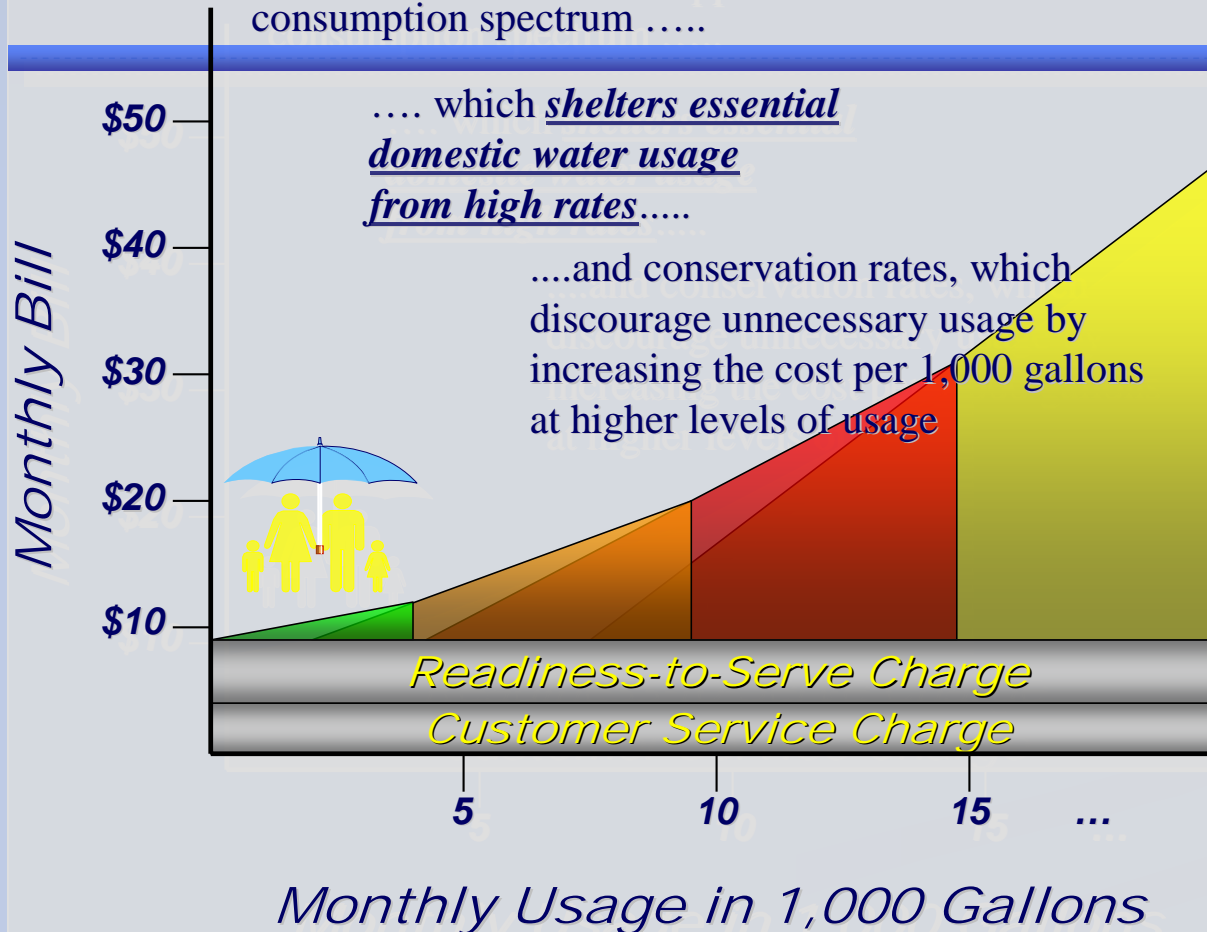
Rate Design

Conservation Rates

Miscellaneous Fees & Charges

Sample of Conservation Rate Structure

The first tier of a conservation rate structure can be a "life-line like rate" applied at the lower end of the consumption spectrum



Conservation Rates

- ▶ Analyze Conservation Related Rate Structure Modifications
 - To promote water conservation via larger price signals to discretionary use
 - Shelter lower volumes of use for essential domestic requirements to maintain affordability
- ▶ Analysis Will Include Review of:
 - Various Inclining Block Rates, Drought Rate Surcharge, Other TBD
- ▶ Implementation Requires One-Time Billing System Modifications
 - Current cost estimate is \$500k
 - Timeframe to complete changes is significant
- ▶ Target Implementation is Mid-Year FY 2010 (Spring 2010)

Miscellaneous Service Fees & Charges

- ▶ Specific Service Charges That Benefit Certain Customers
 - Examples include turn-off/turn-on fees, backflow inspections, meter sets, tap fees, grease hauler fees, etc.
- ▶ Provided Cost Computation Templates to Staff
 - Update cost of service for existing fees
- ▶ Staff Has Populated Initial Templates & Reviewed with Burton & Associates
- ▶ Staff is Performing Final Modifications to Cost of Service Calculations
- ▶ Once Finalized, Staff Will Bring Back Appropriate Ordinance/Resolution Amendments

Discussion

Wholesale & Retail Water & Sewer Rates TIMETABLE

<u>DATE</u>	<u>TASK</u>
June 9, 2009	Rate workshop with BCC
July 7	BCC meeting to authorize advertisement and public hearing
July 15	Mail certified letters to wholesale customers; begin mailing notices to retail customers along with bills (per Florida Statute 180.136)
September 22	BCC meeting for public hearing and adoption of new rates
October 1	New rates effective



Thank You!

www.pinellascounty.org/utilities