



Proposed Increase In Rates In Water, Sewer and Reclaimed

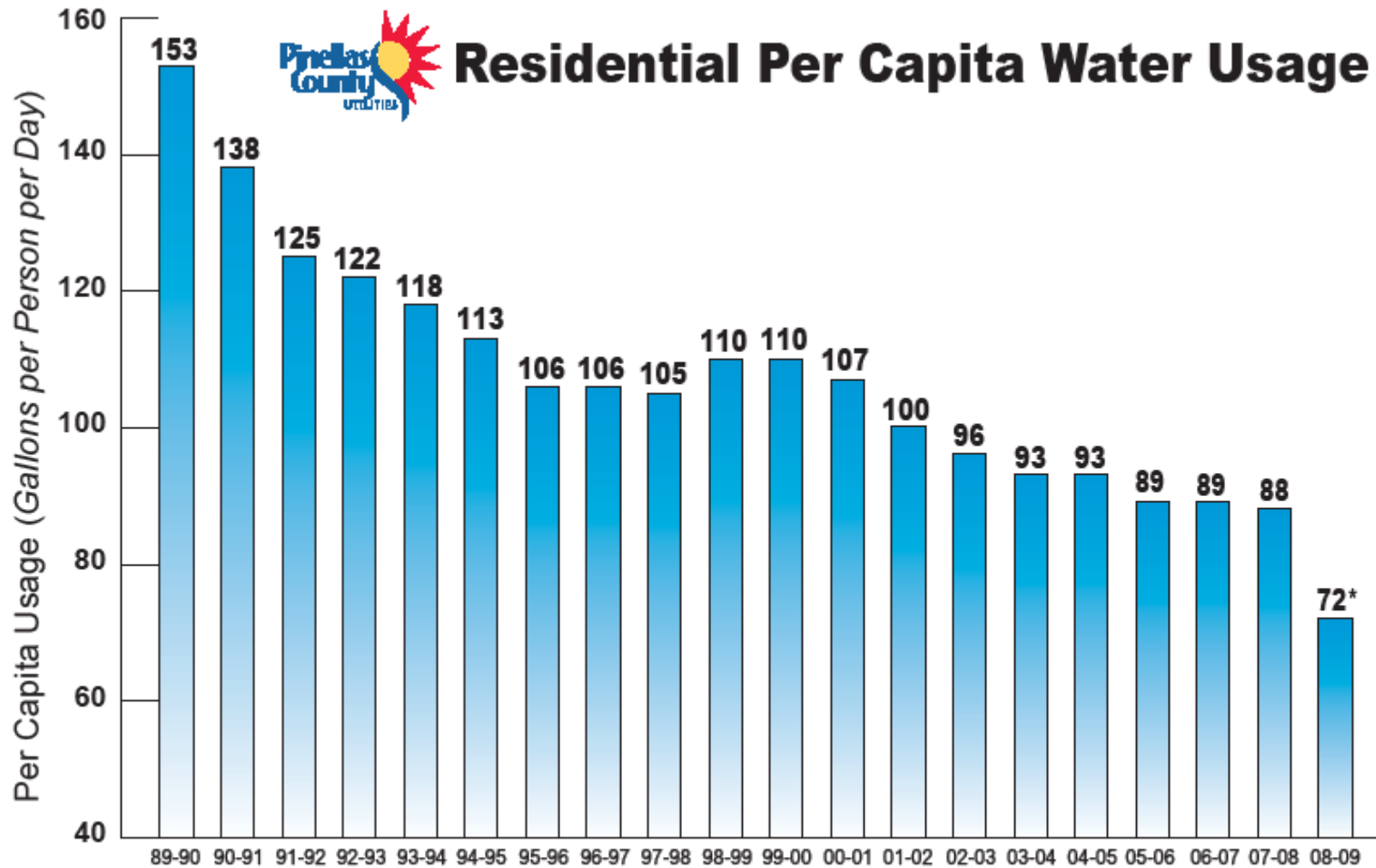
June 15, 2010



WATER



Residential Per Capita Water Usage



Notes

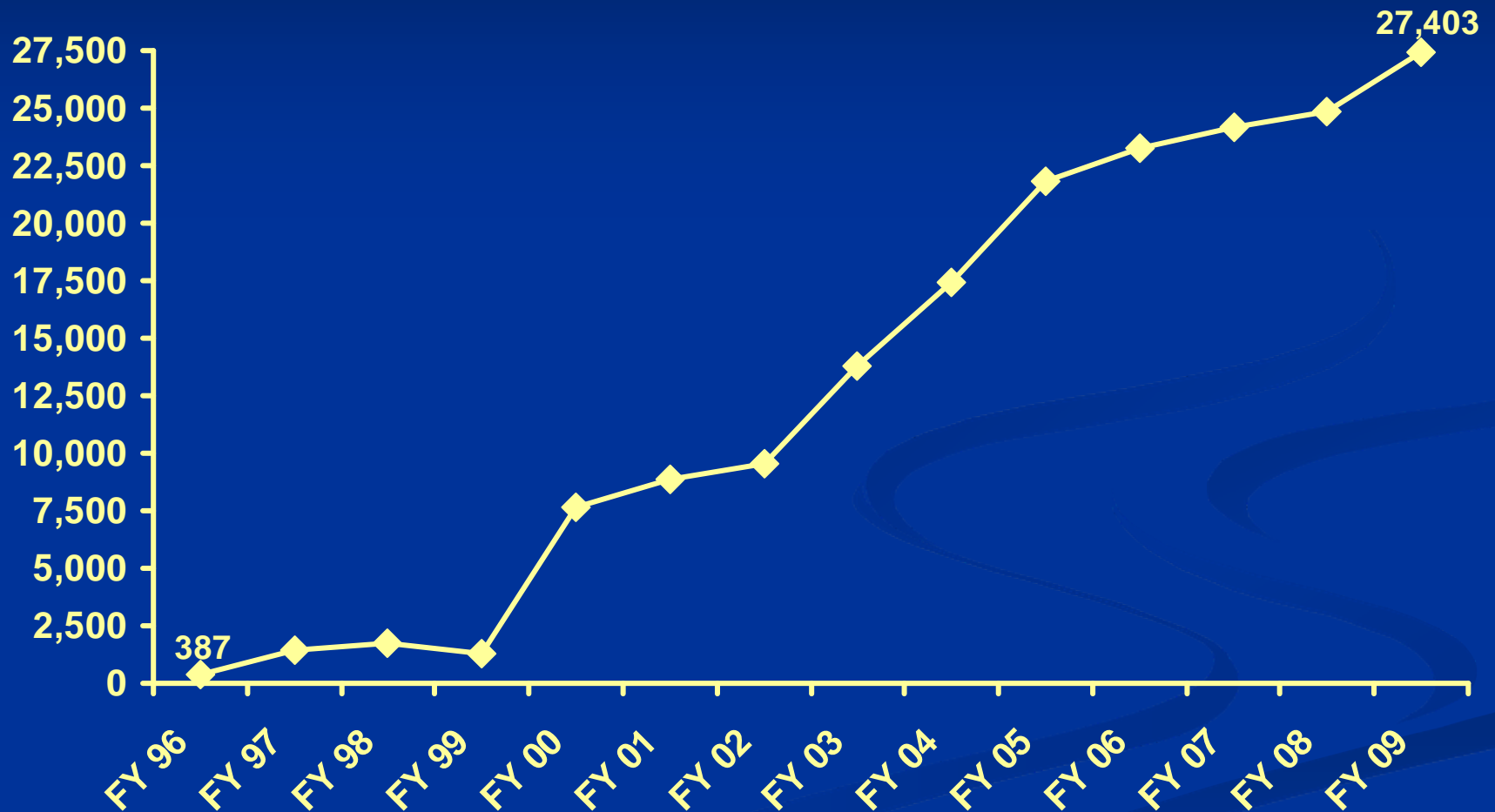
Usage based on billed consumption.

Population is based on occupied single family and multi-family units.

* Population estimates based on 2000 Census and are not inclusive of current vacancies due to foreclosures.

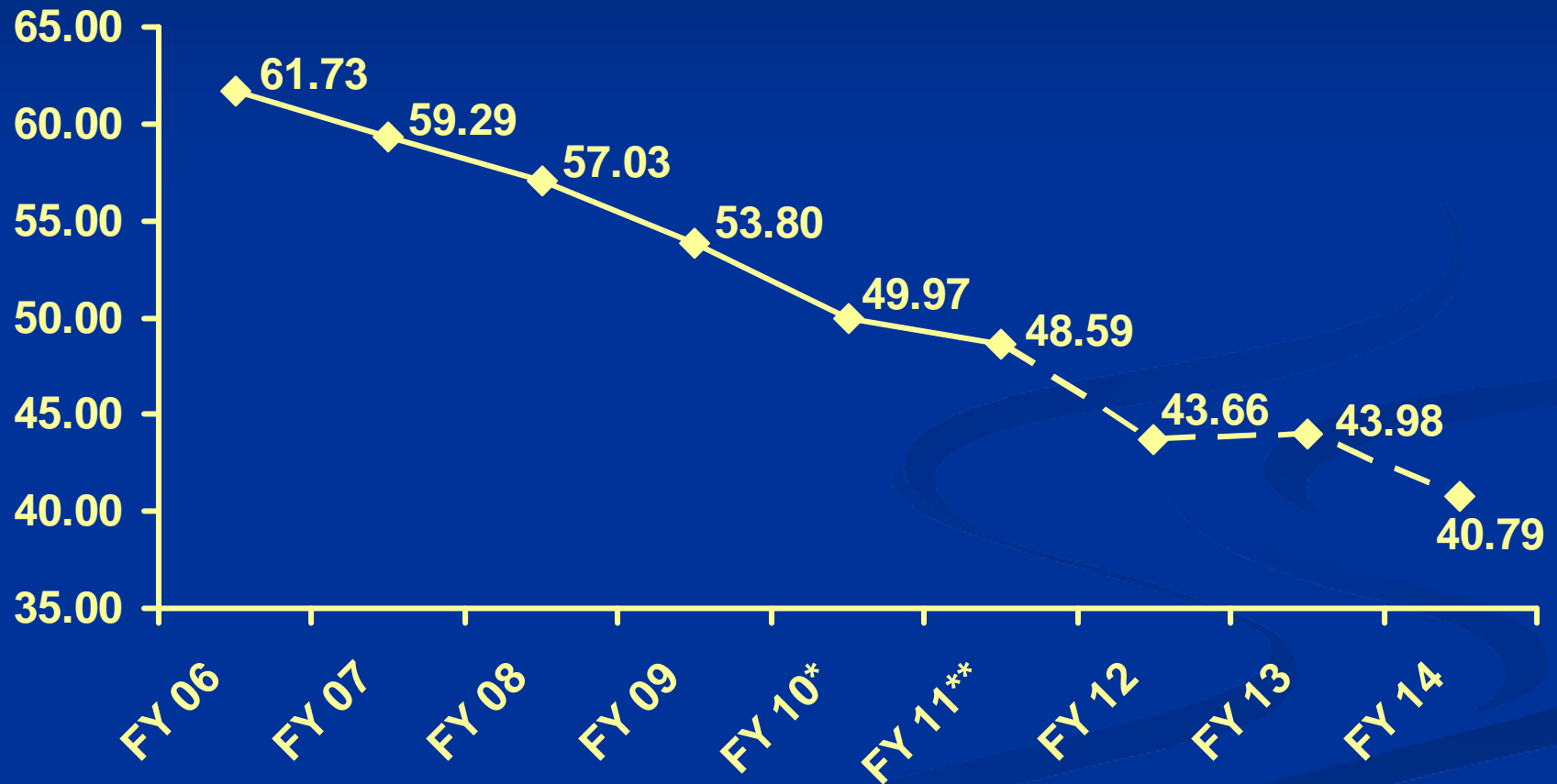
Rev. 05/13/10

Reclaimed Water Accounts



Water Sales

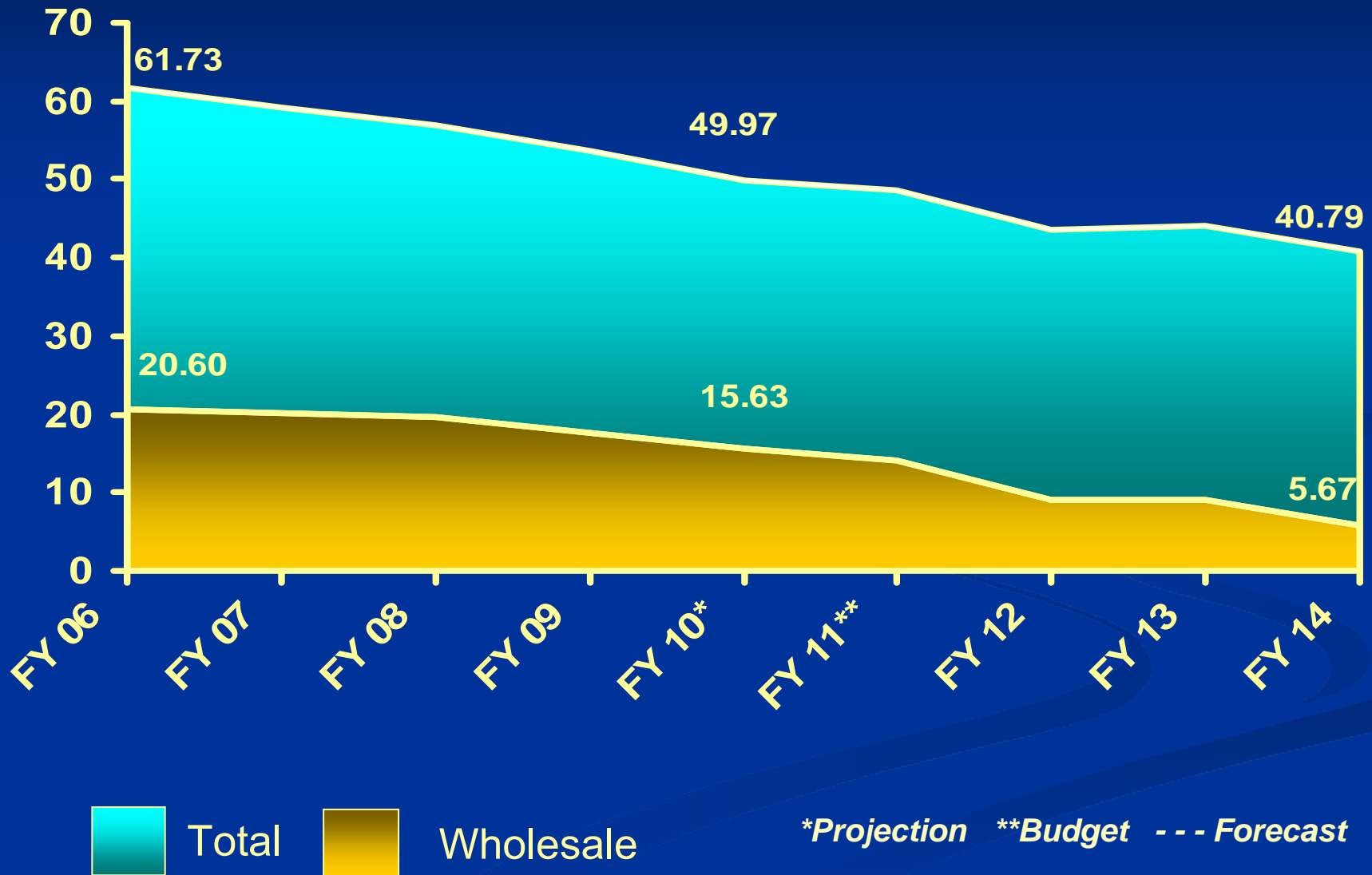
(MGD)



*Projection **Budget - - - Forecast

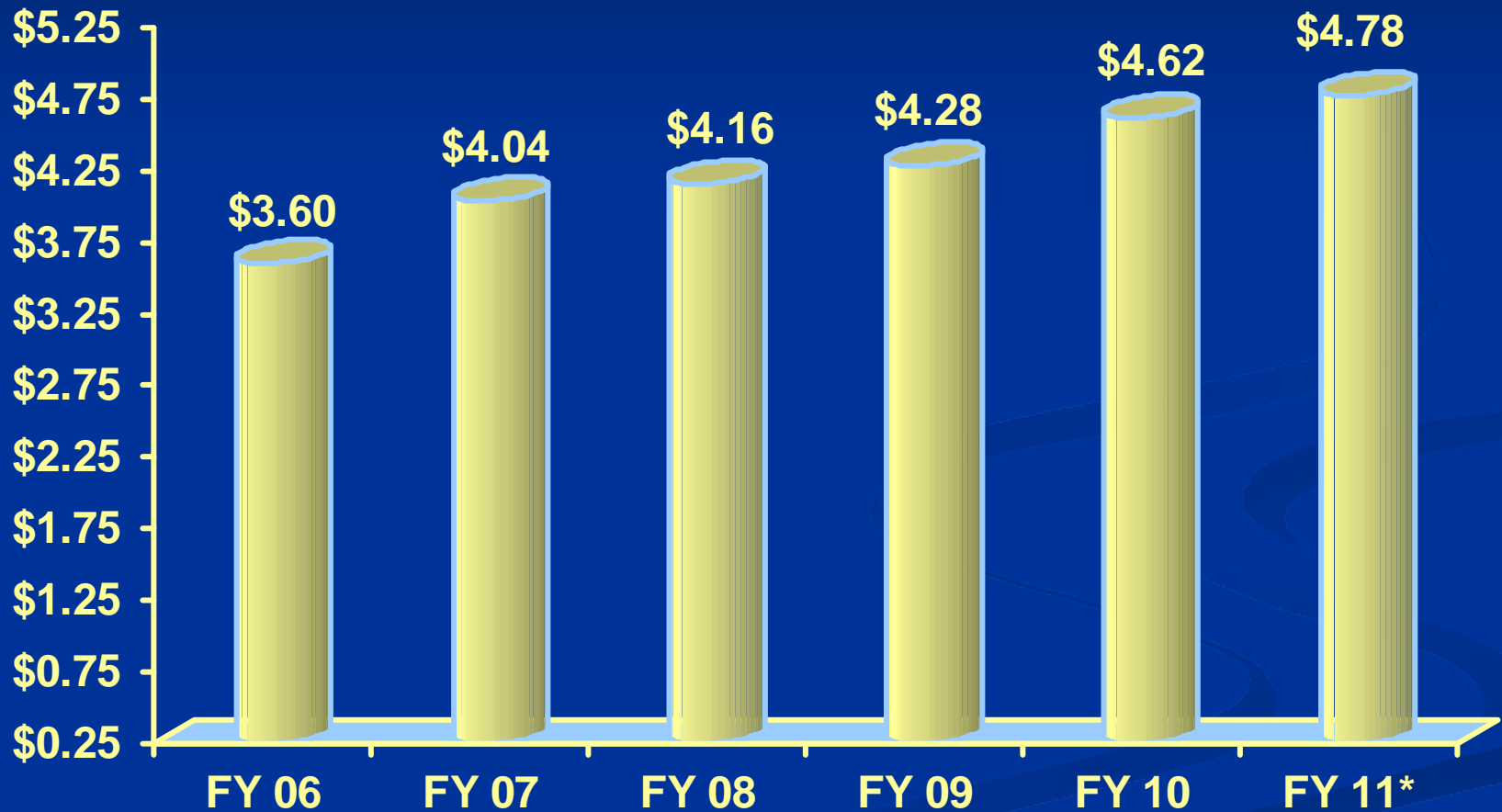
Water Sales

(MGD)



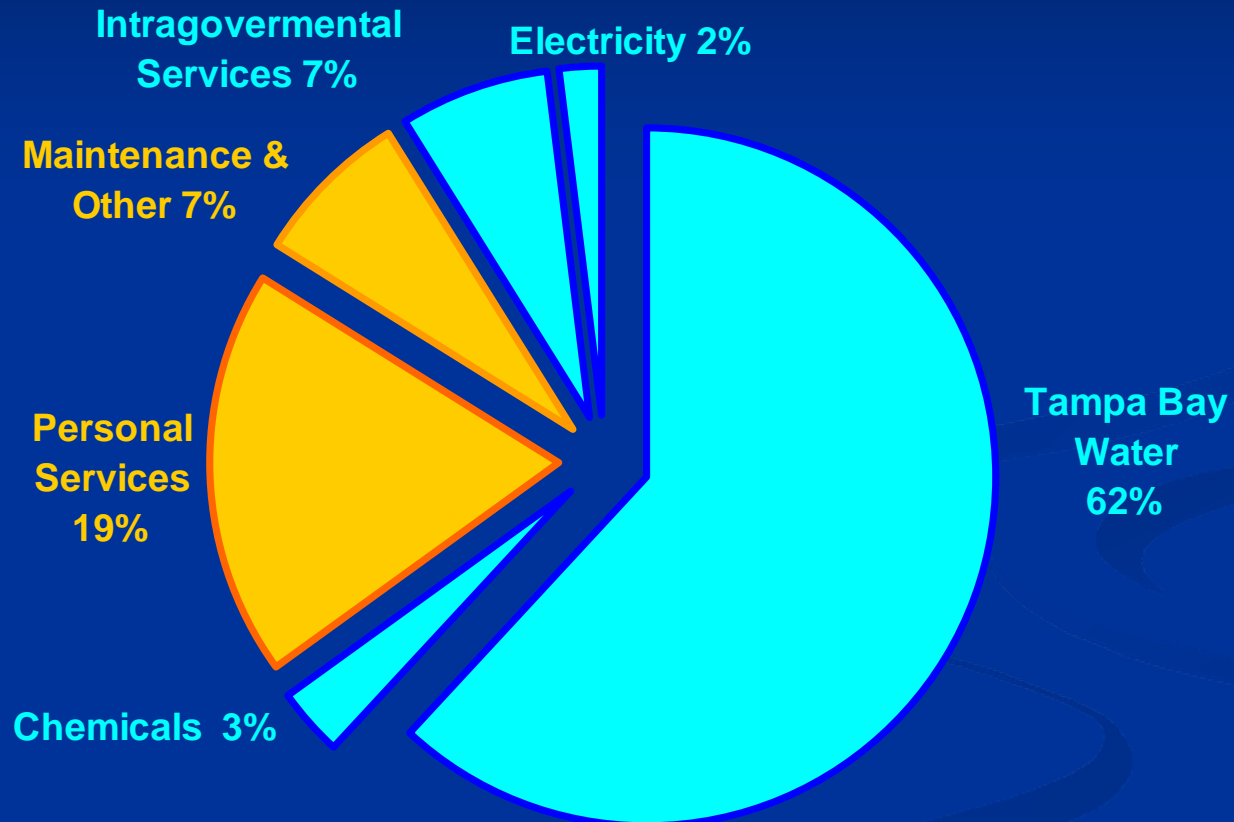
Retail Water Volumetric Rates

(per 1,000 gallons)



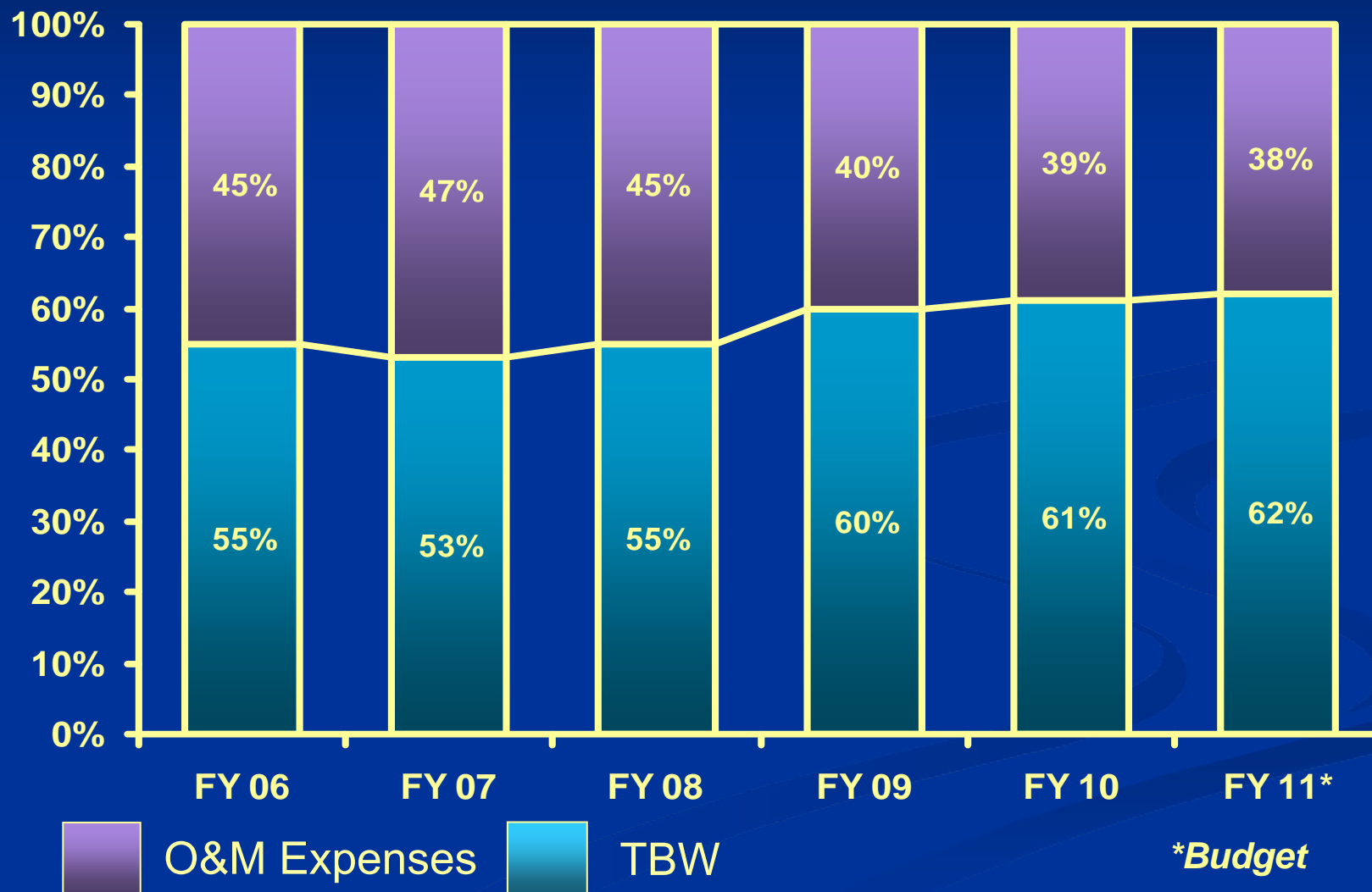
**Proposed*

Water System FY 10/11 Operating Expenses



Water System

Purchase of Water versus Other O&M Expenses

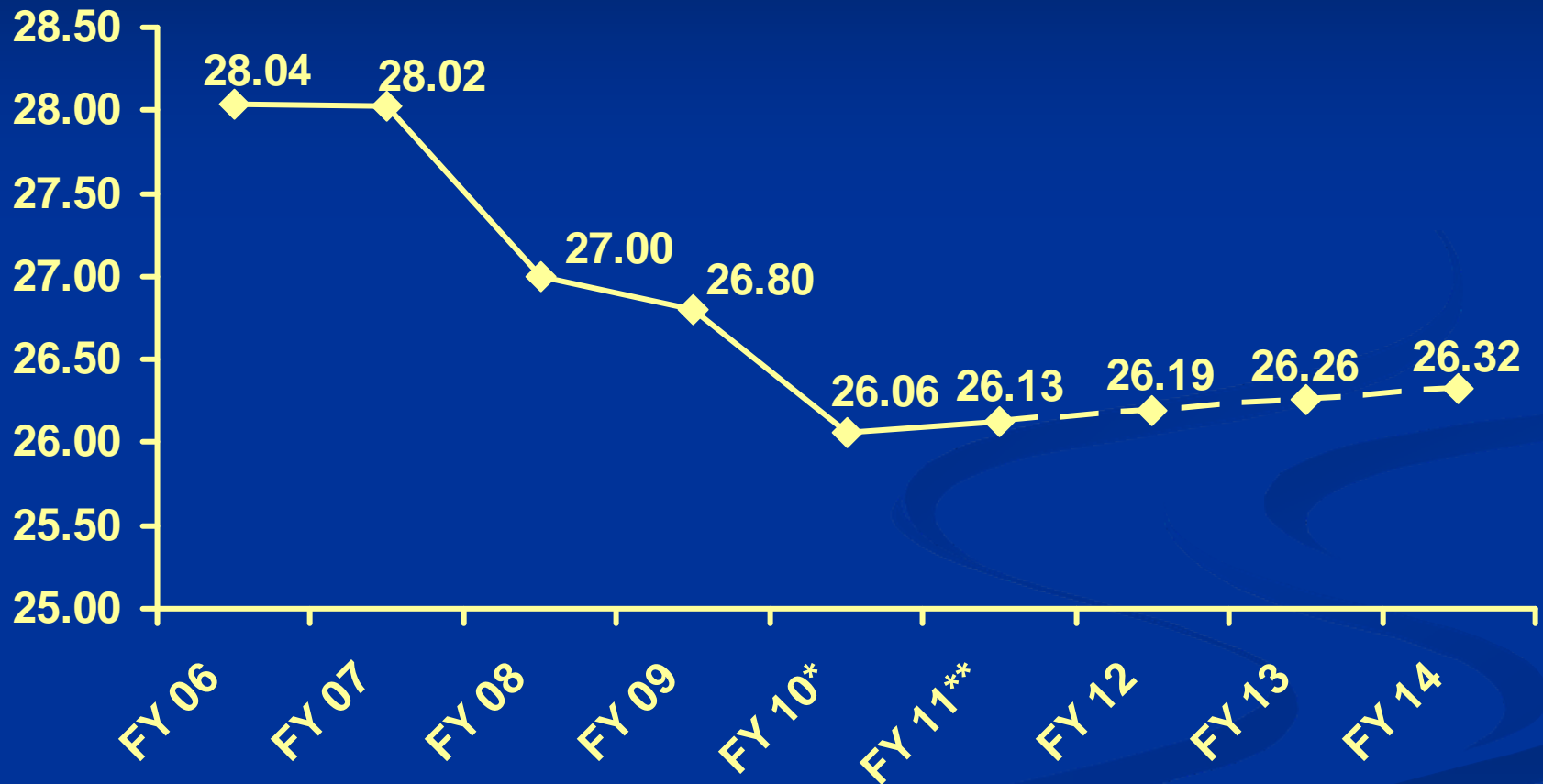




SEWER

Sewer Billed

(MGD)



*Projection **Budget - - - Forecast

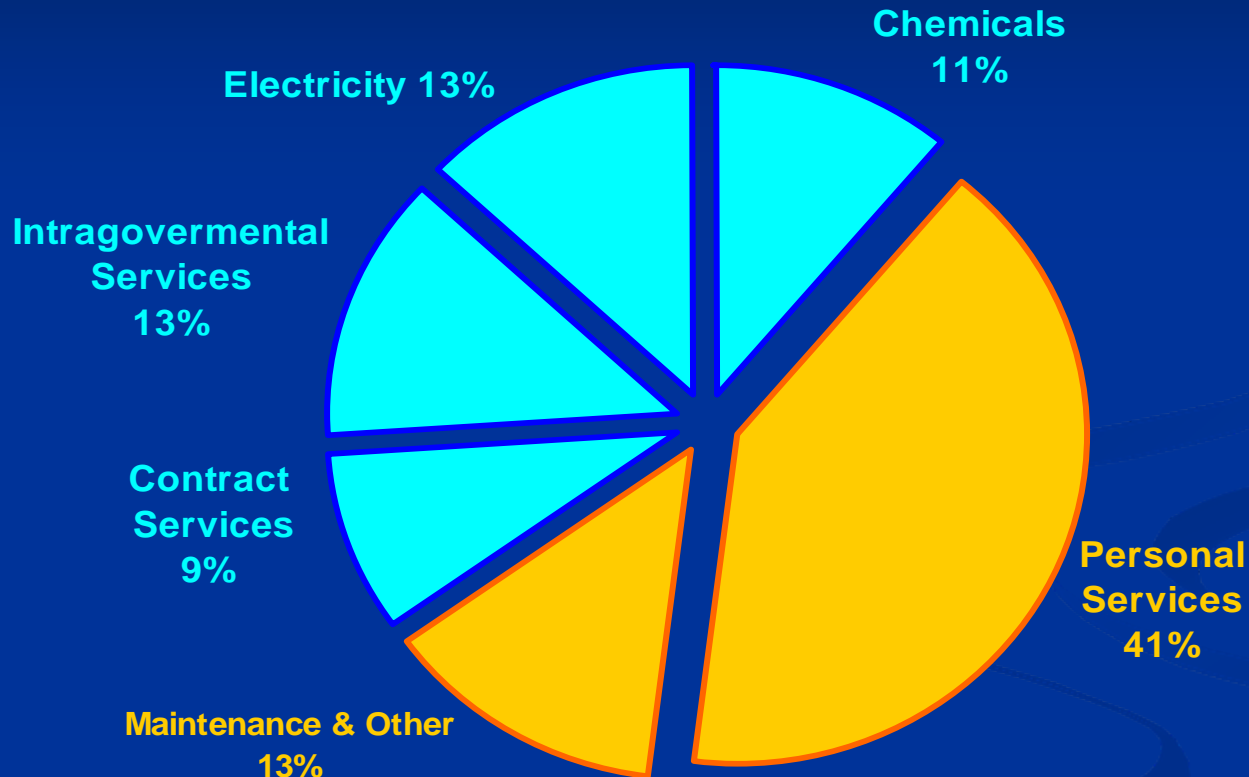
Retail Sewer Volumetric Rates

(per 1,000 gallons)



**Proposed*

Sewer System FY 10/11 Operating Expenses



■ Uncontrollable 46%

■ Controllable 54%

Water and Sewer Budget Reductions FY 10/11

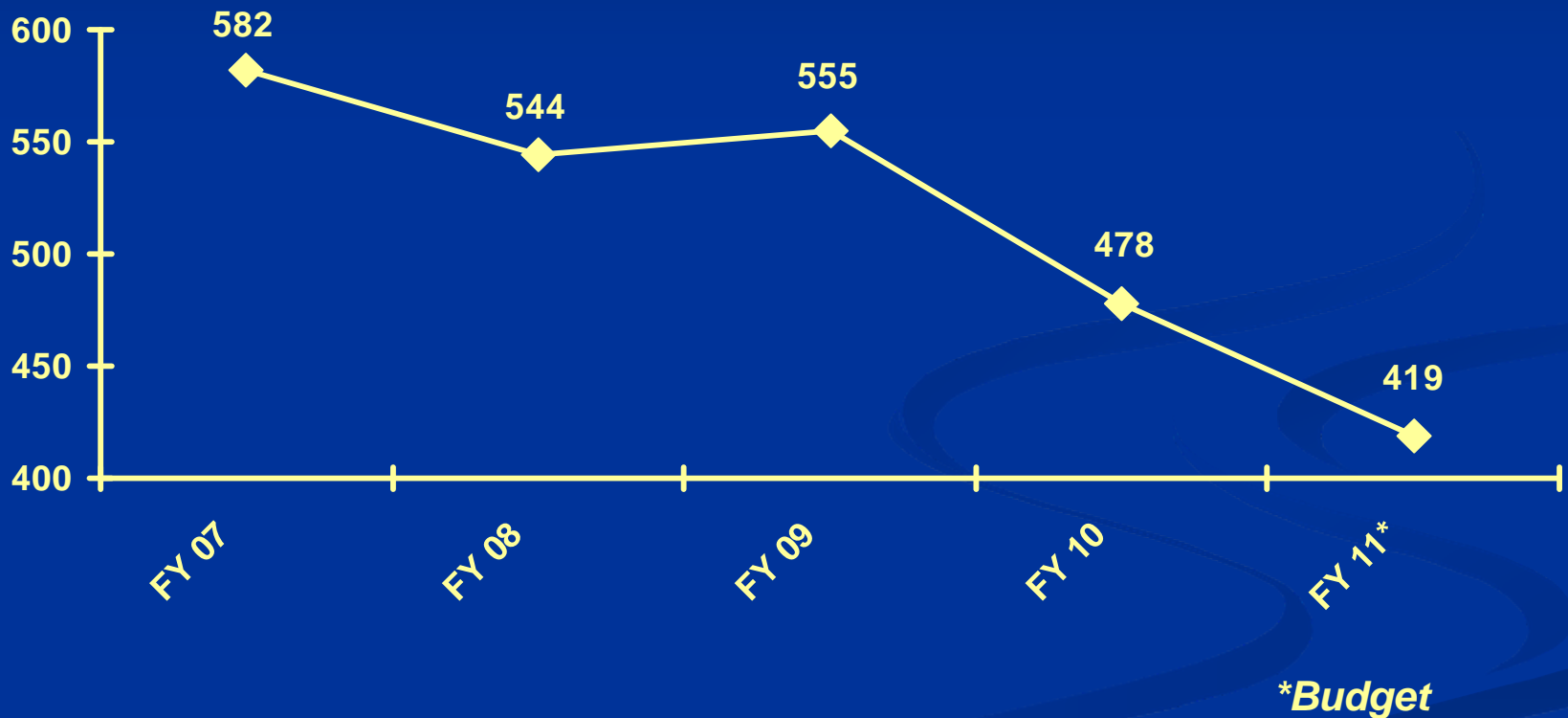
► Positions

- Reduction of 59 permanent positions

► Operating & Maintenance Budget

- Water
 - Reduction of \$4.7 million
(excluding cost of water and transfer for reclaimed O&M costs)
- Sewer
 - Reduction of \$2.3 million

Water and Sewer Number of F/T Permanent Positions



Burton & Associates

Agenda

- ▶ Introduction of Burton & Associates
- ▶ Study Objectives
 - Revenue Sufficiency
 - Water System
 - Sewer System
 - Reclaimed Water
- ▶ 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
 - 13% total billed demand reduction from FY 2006 – FY 2009
 - 22% total billed demand reduction from FY 2010 – FY 2014
 - **FY 2006 = 62 MGD; FY 2014 = 41 MGD**
- Tampa Bay Water Unitary Rate Increases
 - 6.8% in FY 2010, 5.5% in FY 2011
 - Total expense continues to increase despite demand reductions
- Funding of Infrastructure R&R - \$38M (FY 2010 - FY 2014)
 - Water Transmission Main & Distribution Replacement - \$20M
 - Belcher Road 48" Main Replacement - \$7M
 - Relocation of Water Lines - US 19 - \$5M
 - Source of Supply & Treatment - \$4M
 - Distribution Stations/Buildings & Admin - \$2M

Water System – Financial Summary

► Key Challenges

- Current Negative Cash Flow
 - FY 2010 Estimated at \$3 million
- Additional Projected Demand Reductions through FY 2014
 - Clearwater, Oldsmar, Tarpon Springs
- 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
 - \$3M in FY 2010, increasing to \$12M in FY 2014 with current rates
 - Without rate adjustments, reserve requirements would not be met by FY 2011
- ▶ Rate Increases Lower Than Projected Due to O&M Reductions & Reclaimed Water Cost Allocation
 - Prior rate increase projections of 13% in FY 2011 & FY 2012, 3% per year thereafter

5-Year Projection of Water Rate Revenue Increase Requirements

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Retail	3.50%	7.50%	7.50%	2.00%	2.00%
Wholesale	3.50%	7.50%	7.50%	2.00%	2.00%

Impacts of Identified 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>	<u>FY 2015</u>
Res. Bill (6000 Gallons)	\$30.96	\$32.04	\$34.45	\$37.03	\$37.77	\$38.53
Wholesale Rate	\$3.18	\$3.30	\$3.54	\$3.81	\$3.88	\$3.96

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
 - 1.5 MGD in FY 2011 & FY 2012 – Clearwater
 - 2.3 MGD in FY 2012 – Tarpon Springs
 - 1.4 MGD in FY 2012 – Oldsmar
 - 3.5 MGD in FY 2014 – Clearwater
 - Increases in Cost of Purchased Water from TBW
 - Region-wide demand reductions may lead to higher future rates

Revenue Sufficiency Analysis

Sewer System

Sewer System – Financial Summary

► Key Challenges

- Recent Retail & Wholesale Demand Reductions
 - 7% reduction from FY 2006 – FY 2009
 - 3% reduction estimated for FY 2010
- Funding of Infrastructure R&R - \$63M (FY 2010 - FY 2014)
 - South Cross & WE Dunn WRF Improvements - \$32M
 - Collection System Modifications/Improvements - \$16M
 - Pump Station Modifications/Improvements - \$14M
 - SCADA & Buildings/Structures - \$1M

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**
 - **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

- ▶ Not meeting targeted debt service coverage ratio
 - FY 2010 estimated at 1.36 / 1.37
 - Prior study projected FY 2010 at 1.50 / 1.53
 - With rate adjustments, FY 2011 projected at 1.49 / 1.51

5-Year Projection of Sewer Rate Revenue Increase Requirements

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Retail	1.50%	1.50%	1.50%	1.50%	1.50%
Wholesale	1.50%	1.50%	1.50%	1.50%	1.50%

Impacts of Identified 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>	<u>FY 2015</u>
Res. Bill (6000 Gallons)	\$33.03	\$33.53	\$34.03	\$34.54	\$35.06	\$35.58
Wholesale Rate	\$2.92	\$2.96	\$3.01	\$3.05	\$3.10	\$3.14

Projected FY 2011

“Typical” Retail Customer Monthly Increase

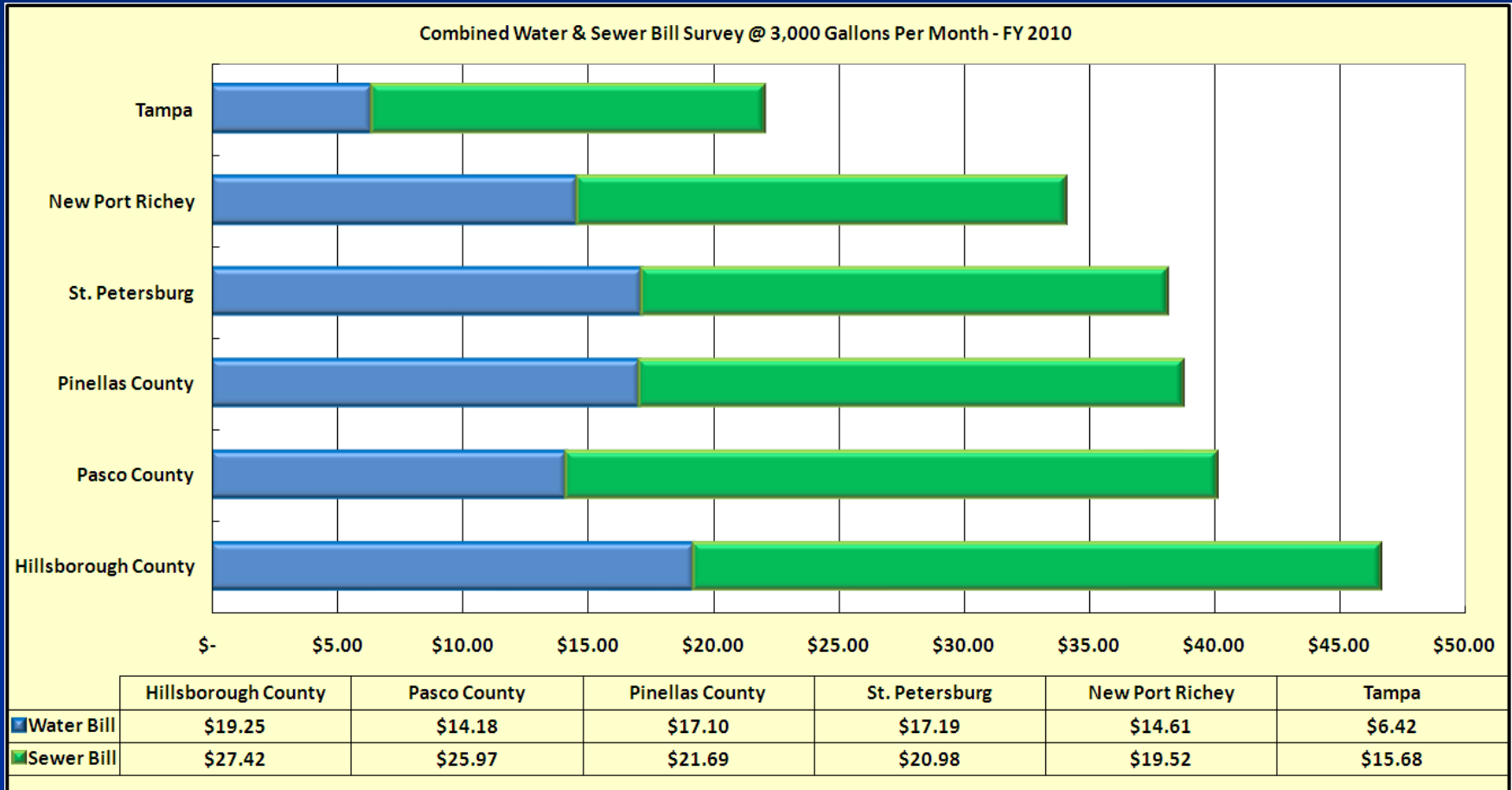
“Typical” Retail Customer

Based on 6,000 Gallons per Month

Water	\$1.08	Per Month
Sewer	\$0.50	Per Month
Total Bill	\$1.58	Per Month

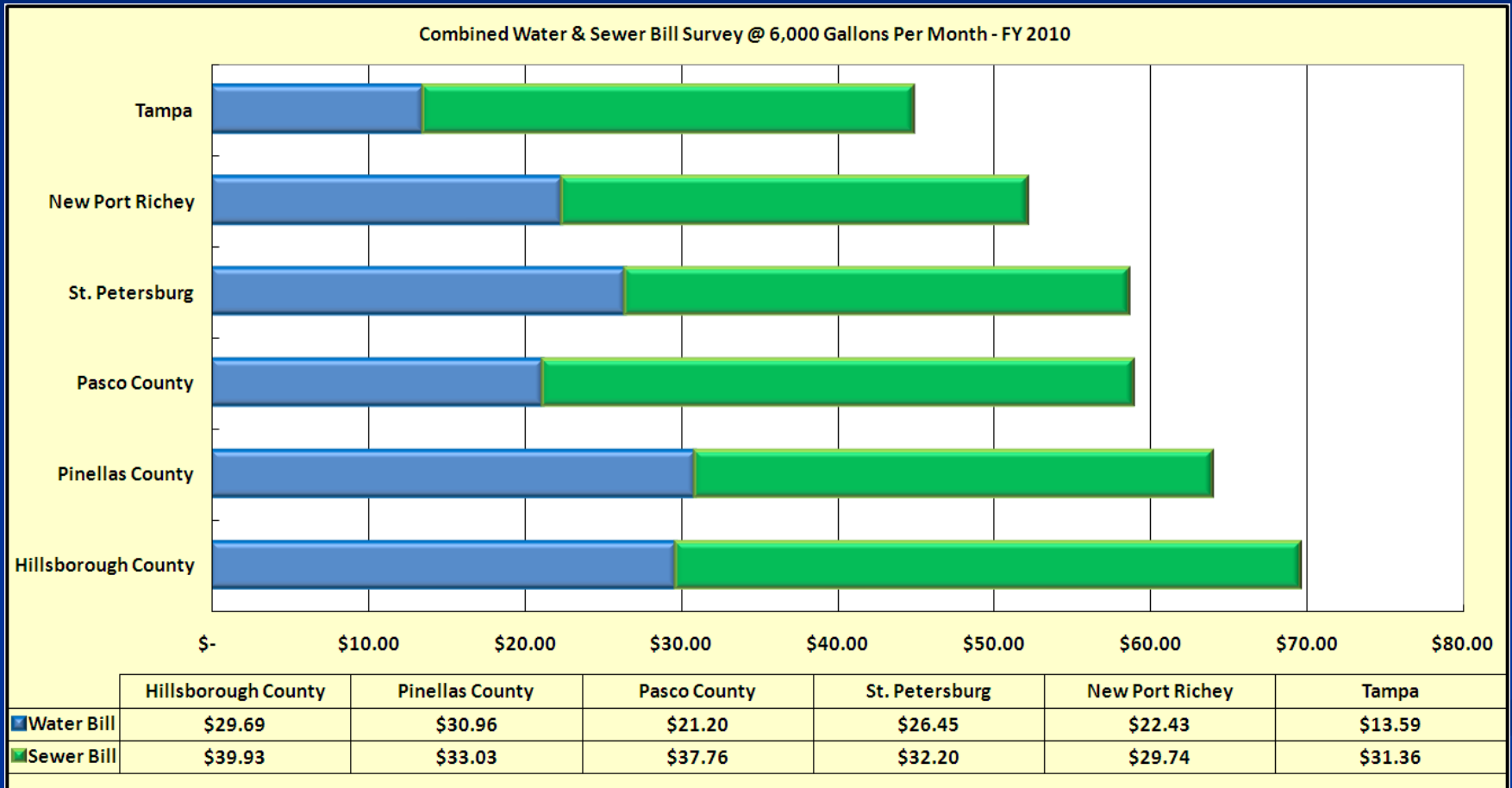
FY 2010

“Low-End User” Residential Rate Based on 3,000 Gallons per Month



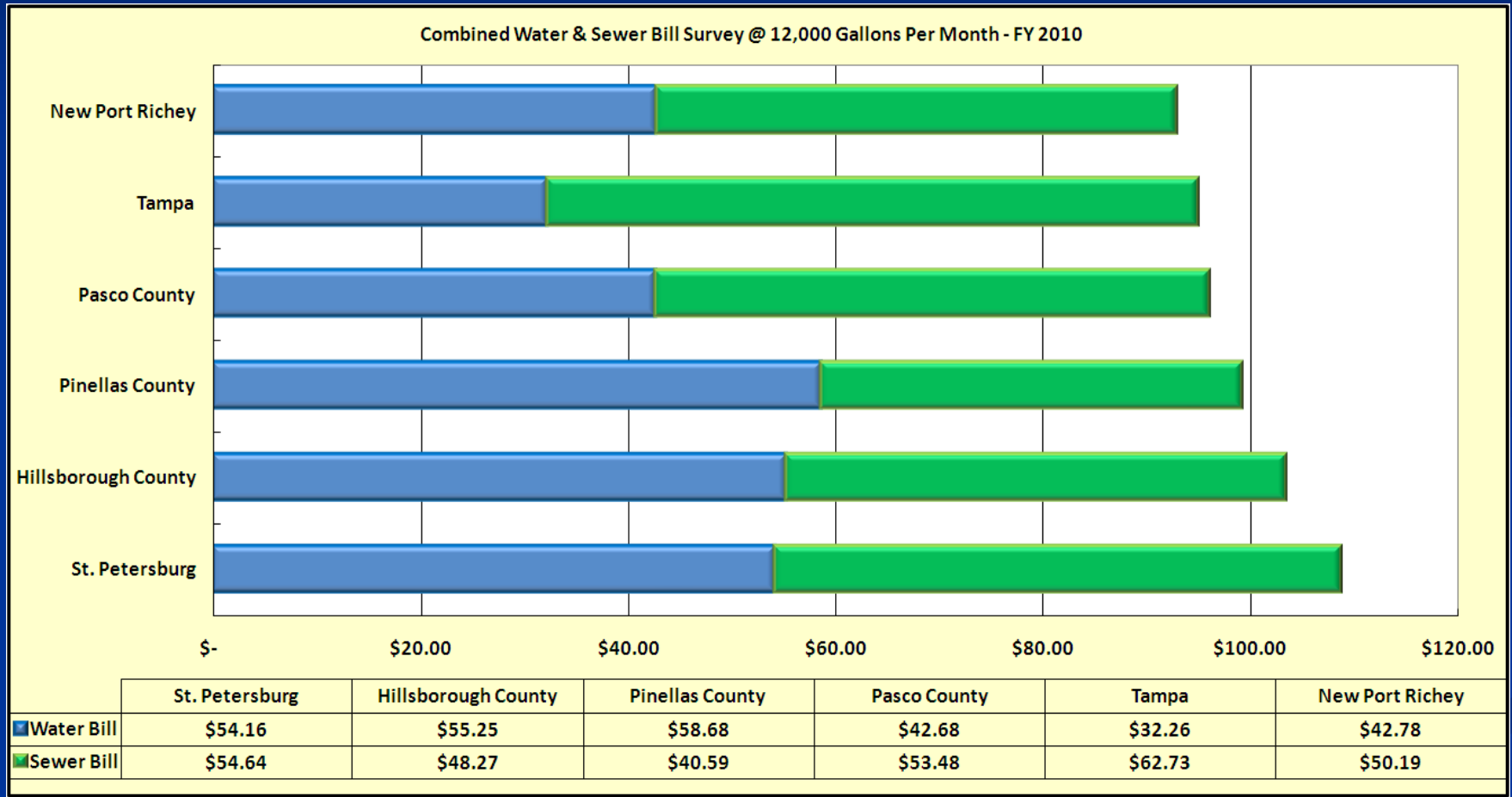
FY 2010

“Typical User” Residential Rate Based on 6,000 Gallons per Month



FY 2010

“High-End User” Residential Rate Based on 12,000 Gallons per Month



Reclaimed Water System

- ▶ Prior Study Performed Cost of Service vs. Revenue Analysis
 - Developed Annual Rate Adjustments to Service Charges
 - Increases cost recovery and achieves comparable market rates

REUSE COST OF SERVICE VERSUS REVENUE ANALYSIS SUMMARY						
(\$ in Millions)						
	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
O&M Expenses (1)	\$ 7.2	\$ 7.4	\$ 7.6	\$ 7.8	\$ 8.0	\$ 8.2
Reclaimed Revenue (2)	\$ 2.6	\$ 4.0	\$ 4.2	\$ 4.5	\$ 4.7	\$ 5.0
Annual Revenue Shortfall	\$ (4.6)	\$ (3.4)	\$ (3.4)	\$ (3.3)	\$ (3.3)	\$ (3.2)
O&M Shortfall Allocation (3)						
% Allocation to Water	51%	51%	51%	51%	51%	51%
% Allocation to Sewer	49%	49%	49%	49%	49%	49%
Shortfall Allocated to Water	\$ 2.3	\$ 1.7	\$ 1.7	\$ 1.7	\$ 1.7	\$ 1.6
Shortfall Allocated to Sewer	\$ 2.3	\$ 1.7	\$ 1.7	\$ 1.6	\$ 1.6	\$ 1.6
Notes:						
(1) Per Schedule 5, Appendix C of FY 2010 Rate Study thru FY 2011; then adjusted by 2.5% annually thereafter						
(2) Reflects rate adjustments as presented through FY 2015						
(3) Shortfall allocated based upon measure of benefit per Table 1 of Schedule 5, Appendix C of FY 2010 Rate Study						

Reclaimed Water Bills – Unfunded Systems

Monthly Bill – Unmetered Service

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Availability Charge	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
Service Charge	\$3.00	\$8.00	\$9.00	\$10.00	\$11.00	\$12.00
Total Bill	\$10.00	\$15.00	\$16.00	\$17.00	\$18.00	\$19.00

Monthly Bill – Metered Service

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Availability Charge	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
Service Charge (20 TGAL)	\$6.40	\$12.80	\$14.40	\$16.00	\$17.60	\$19.20
Total Bill	\$13.40	\$19.80	\$21.40	\$23.00	\$24.60	\$26.20

Rate (\$ / TGAL)	\$0.32	\$0.64	\$0.72	\$0.80	\$0.88	\$0.96
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Reclaimed Water Bills – Funded Systems

Monthly Bill – Unmetered Service

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Service Charge	\$8.89	\$14.00	\$15.00	\$16.00	\$17.00	\$18.00
Total Bill	\$8.89	\$14.00	\$15.00	\$16.00	\$17.00	\$18.00

Monthly Bill – Metered Service

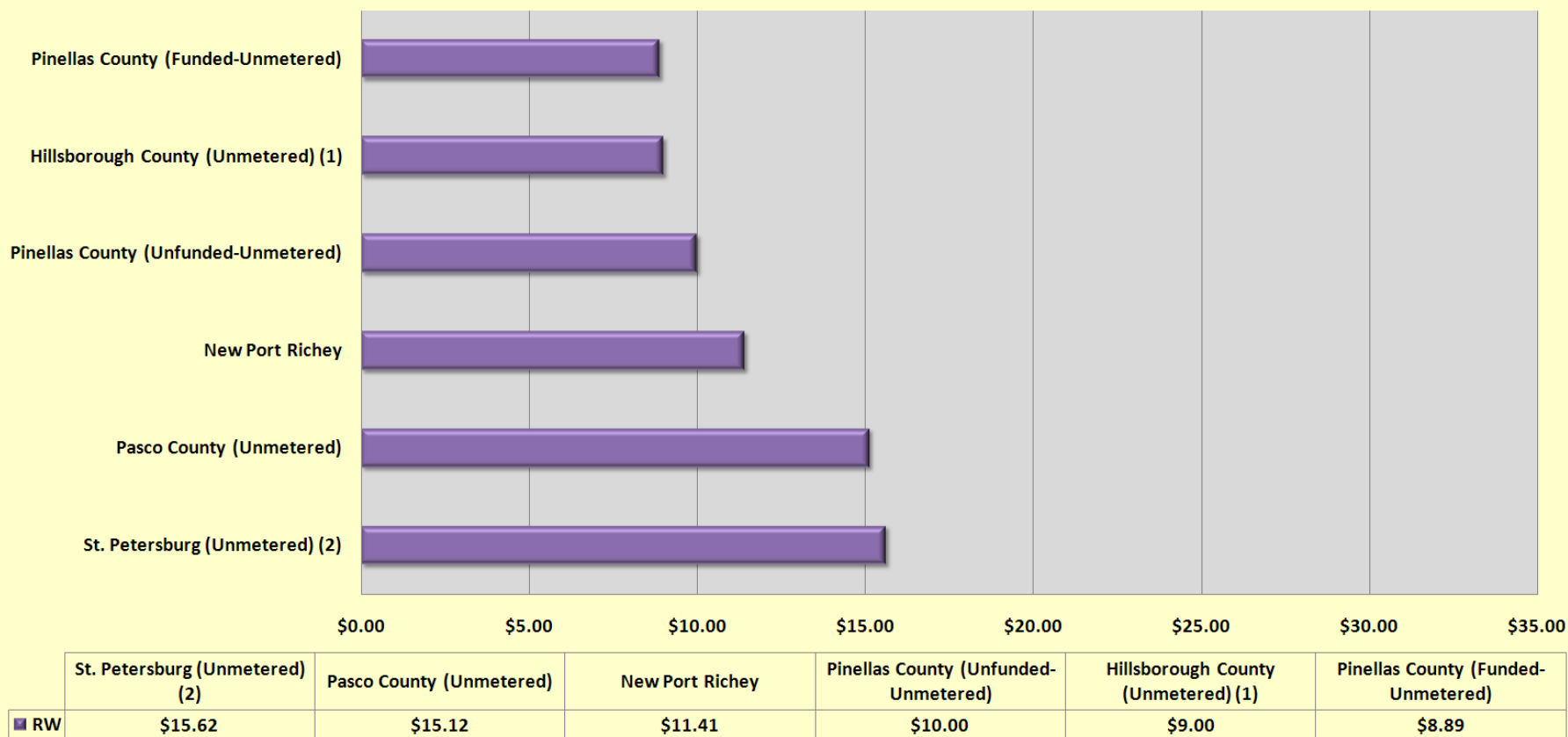
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Service Charge (20 TGAL)	\$6.40	\$12.80	\$14.40	\$16.00	\$17.60	\$19.20
Total Bill	\$6.40	\$12.80	\$14.40	\$16.00	\$17.60	\$19.20

Rate (\$ / TGAL)	\$0.32	\$0.64	\$0.72	\$0.80	\$0.88	\$0.96
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FY 2010

Unmetered Residential Reclaimed Water Rate Survey

FY 2010 Reclaimed Water Rate Survey for Unmetered Residential Customers



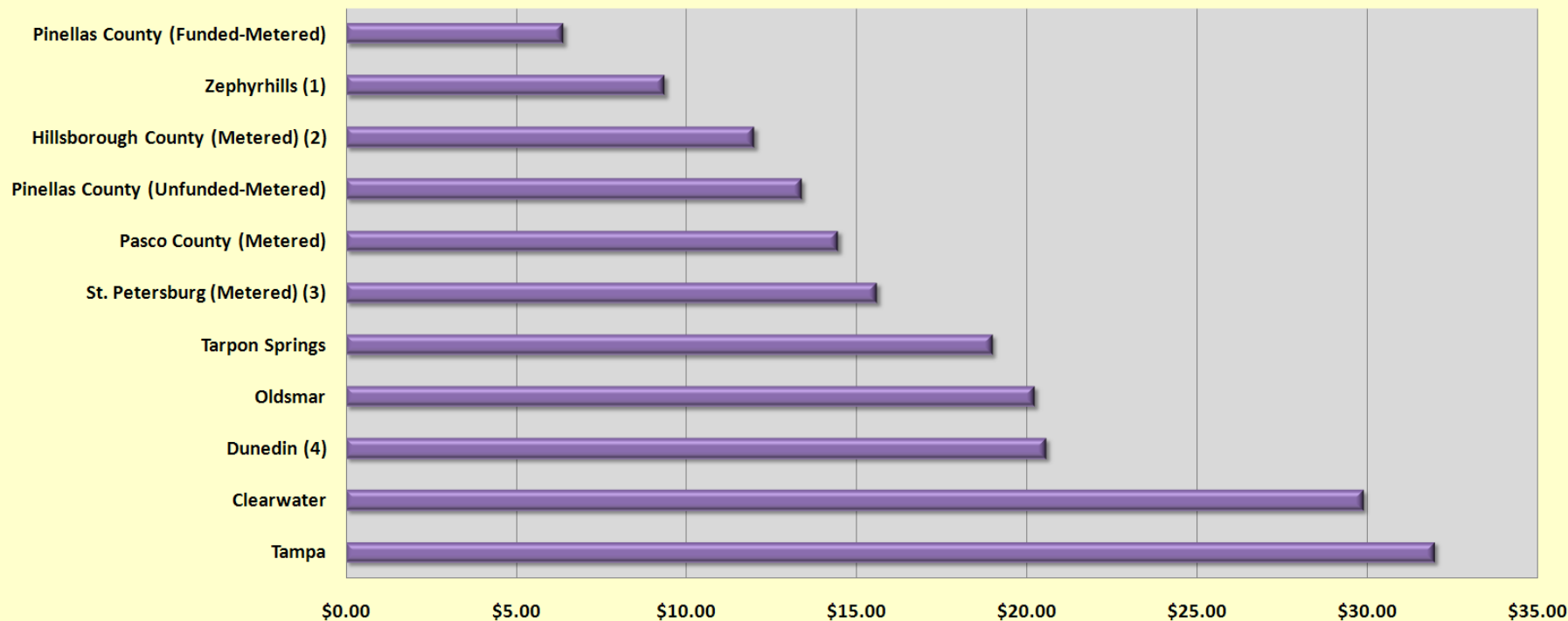
NOTES:

(1) A flat monthly fee is charged to all connections 1" or smaller; while metered rates are applied to all connections greater than 1".

(2) Monthly bill calculation is based upon assumed lot size of less than 1 acre.

FY 2010 Metered Residential Reclaimed Water Rate Survey Based on 20,000 Gallons per Month

FY 2010 Reclaimed Water Rate Survey for Metered Residential Customers @ 20,000 Gallons



	Tampa	Clearwater	Dunedin (4)	Oldsmar	Tarpon Springs	St. Petersburg (Metered) (3)	Pasco County (Metered)	Pinellas County (Unfunded-Metered)	Hillsborough County (Metered) (2)	Zephyrhills (1)	Pinellas County (Funded-Metered)
■ RW	\$32.00	\$29.90	\$20.59	\$20.25	\$19.00	\$15.62	\$14.48	\$13.40	\$12.02	\$9.38	\$6.40

NOTES:

(1) Monthly bill calculation is based upon assumed lot size of less than 1 acre.

(2) A flat monthly fee is charged to all connections 1" or smaller; while metered rates are applied to all connections greater than 1".

(3) Minimum monthly bill charge of \$15.62 includes monthly usage of up to 35,000 gallons per month. All usage above minimum charge is charged at \$0.45 per 1,000 gallons consumed.

(4) Monthly fixed charge component ranges between \$9.50 and \$14.18 per contractual agreement. Survey reflects monthly fixed charge component based upon average of minimum and maximum charge.

Cost per Thousand Gallons Comparison

Unfunded Unmetered Reclaimed Water		
	<u>FY 2010</u>	<u>FY 2011</u>
Monthly Cost (Availability & Service)	\$10.00	\$15.00
Monthly Use (TGAL)	20	20
Cost / TGAL	\$0.50	\$0.75

Potable Water		
	<u>FY 2010</u>	<u>FY 2011</u>
Monthly Cost (Usage Charges)	\$92.40	\$95.60
Monthly Use (TGAL)	20	20
Cost / TGAL	\$4.62	\$4.78

Future Considerations

▶ Conservation Rates

- Monthly Billing
- Unpredictable Revenue
- Automatic Meter Reading

▶ Reclaimed Water Meters

▶ Backflow Prevention Devices

▶ Stand-By Fees for Wholesale Customers

Discussion





Thank You!

www.pinellascounty.org/utilities