
Fiscal Year 2009 Water, Sewer & Irrigation Revenue Sufficiency Analysis

Final Report
March 2009

Recommended Rate Adjustment

- Recommend Five Year Rate Adjustment based upon FY 2009 Sufficiency Analysis (Rate Study Update Schedule)
- Adoption of this Rate Adjustment Schedule will allow for the City to issue short-term debt (Bond Anticipation Note) in FY 2009
- Adoption of this Rate Adjustment Schedule will provide assurance to the market, investors, and current bond holders that the City will provide sufficient rates to maintain rate covenants

Background

- 1998 – City Approved the Dames & Moore Study for expanding Utilities and Utility Plants.
- 2000 – City began the First of Nine Utility Extension Projects beginning with Pine Island Road Area.
- Each successive year through 2007, Council adopted a New Utility Extension Project.
- Facilities Planning Report Updated in 2004 and Provided to Council.
- FY 2006, Council Approved moving Forward with New Facilities, Plant Expansions, and Upgrades.
- Fiscal Year 2006, Council approved Restructuring and Consolidation of Areas North of Pine Island Road to Complete Extension Program Earlier; Directed Staff to send out Mailers to that Affect.

Background-History of Rate Adjustments

Historical Changes in User Fees

<u>Fiscal</u> <u>Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Irrigation</u>
1992	31.18%	21.40%	\$5.00
1993	6.75%	15.65%	\$5.00
1994	0.00%	0.00%	\$5.00
1995	0.00%	9.00%	\$5.90
1996	0.00%	0.00%	\$6.80
1997	0.00%	0.00%	\$7.70
1998	0.00%	1.00%	\$8.60
1999	0.00%	1.00%	\$9.50
2000	0.00%	0.00%	\$9.50
2001	0.00%	0.00%	\$9.50
2002	0.00%	0.00%	\$9.50
2003	0.00%	0.00%	\$9.50
2004	0.00%	0.00%	\$9.50
2005	14.30%	13.70%	\$9.50
2006	13.70%	11.67%	\$9.50
2007	7.00%	10.00%	\$9.50
2008	7.00%	10.00%	\$9.50
2009	7.00%	9.00%	\$9.50

May 2008 Study to March 2009 Study

Scenario 4 - No UEP, FY 2010 Bond Issue, No Prepaid Capital Expansion Fees, Increase to both Fixed & Usage Charges

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	5 Year <u>Cumulative</u>	10 Year <u>Cumulative</u>
Water	7.00%	26.00%	26.00%	0.00%	3.00%	3.00%	68.40%	95.30%
Irrigation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sewer	10.00%	26.00%	26.00%	0.00%	3.00%	3.00%	68.40%	95.30%
Combined Rate Plan		23.37%	23.85%	0.00%	2.80%	2.80%	59.90%	83.40%
Average Bill	76.42	93.82	115.74	115.74	118.93	122.21	122.21	140.16

Rate Study Update

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	5 Year <u>Cumulative</u>	10 Year <u>Cumulative</u>
Water	0.00%	30.00%	15.00%	15.00%	15.00%	3.50%	104.60%	143.00%
Irrigation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sewer	0.00%	30.00%	15.00%	15.00%	15.00%	3.50%	104.60%	143.00%
Combined Rate Plan	0.00%	27.09%	13.83%	13.96%	14.07%	3.31%	92.50%	126.50%
Average Bill	81.97	103.70	117.84	134.09	152.77	157.79	157.79	185.62
Monthly Increase per Year		21.73	14.14	16.25	18.68	5.02		

What Changed from May 2008 Study-No UEP

- Credit Market Collapse required Different Approach to Financing
 - 2008 projection was a debt issue in 2010 of \$250 million at 5.5% and a \$16 million issue in 2012.
 - 2009 projection issues \$75 million in 2009 at 5.5%, follow-on issue of \$222 million in 2012 at estimated 7%.
 - Debt Service Reserve now required due to municipal insurance market collapse
- Changes to Financing Costs
 - Interest rate on Commercial Paper Down from 2.5% to 1%
 - Interest on Long-Term Debt Up from 5.5% to 7%
- Single greatest impact on the rate study

What Changed from May 2008 Study-No UEP

- Increase in Forecasted New Connections Results in Increase in Other Revenues
 - May 2008 forecasted 260 average connections per year.
 - March 2009 forecasts 340 average connections per year following SW 5 connections.

What Changed from May 2008 Study-No UEP

- Restructured CIP –
Some items brought forward, some items moved further out.

<u>Fiscal Year</u>	2008 Rate Study <u>No UEP</u>	2009 Rate Study <u>No UEP</u>
2008	\$ 190,005,727	
2009	\$ 132,476,878	\$ 131,314,770
2010	\$ 21,749,091	\$ 50,174,956
2011	\$ 14,110,162	\$ 23,550,450
2012	\$ 8,567,500	\$ 8,002,500
2013	\$ 14,445,803	\$ 2,380,500
2014	\$ 6,785,058	\$ 20,022,000
2015	\$ 182,000	\$ 12,125,000
2016	\$ 195,750	\$ 3,126,500
2017	\$ -	\$ 35,370,000
2018	\$ -	\$ 39,480,000
2019	\$ -	\$ 32,915,000

What Changed from May 2008 Study-No UEP

- Revenue Projections have changed, usage is down.
 - May 2008 study - revenue estimate modeled upon 2007 Actual Revenues
 - FY 2009 Rate Revenue w/Approved Inc. = \$52.3 million
 - March 2009 study – revenue estimate modeled upon 2008 Actual Revenues
 - FY 2009 Rate Revenue w/Approved Inc. = \$49.8 million
- Interest Earnings
 - May 2008 study – estimated at 2.5%
 - March 2009 study – estimated at 1%.

What Changed from May 2008 Study-No UEP

- Rate Covenant:

- May 2008 study – modeled study to 1.0 times coverage of debt service

- March 2009 study – modeled study to target of 1.25 times coverage, no less than 1.10

- This change made to insure that in the future, the City will not default on its rate covenant.

What Changed from May 2008 Study-No UEP

- Working Capital Reserve:
 - May 2008 study - assumes 3 months of operating expenses
 - March 2009 study – assumes 3 months of operating expenses
- No change between studies

What Changed from May 2008 Study-No UEP

■ Operating Expenditures:

Operating Expenses	Average Annual Increase	
	May 2008 Study	March 2009 Study
Salaries	5.25%	3.25%
Health Insurance	10.00%	10.00%
Maintenance Expenses	5.56%	3.65%
Outside Services/Professional Services	5.56%	4.65%
Electricity	8.13%	11.30%
Fuel	5.56%	10.65%
Chemicals	7.13%	11.30%
Printing/Travel/Communications /Administrative	3.00%	2.50%
Other Operating Costs	4.00%	3.00%
Capital Equipment	4.00%	3.00%

What Changed from May 2008 Study

- May 2008 Study Not Acted Upon in Fiscal Year 2008.
- Information regarding UEP areas – SW 6/7 and North 1-8 Water Only, included in Memorandum Dated March 23, 2009

What Changed from May 2008 Study

- Summary regarding No UEP vs. SW 6/7 and North 1-8.

Table 2	Five Year Cumulative Changes		
	Rate Study	<u>Informational</u>	<u>Informational</u>
	<u>Update</u>	<u>Item 1.</u>	<u>Item 2.</u>
Average Bill in FY 2009	\$ 81.97	\$ 81.97	\$ 81.97
Water	104.60%	62.60%	53.80%
Irrigation	0.00%	0.00%	0.00%
Sewer	104.60%	62.60%	53.80%
Combined Rate Plan	92.50%	55.30%	47.60%
Average Bill in Five Years	\$ 157.79	\$ 127.33	\$ 120.99
Increase over Five Years	75.82	45.36	39.02