

City of Waukesha 2019 Sewer User Rate Review

**Jon Cameron, CIPMA
Senior Municipal Advisor/Vice President**

Presentation Overview

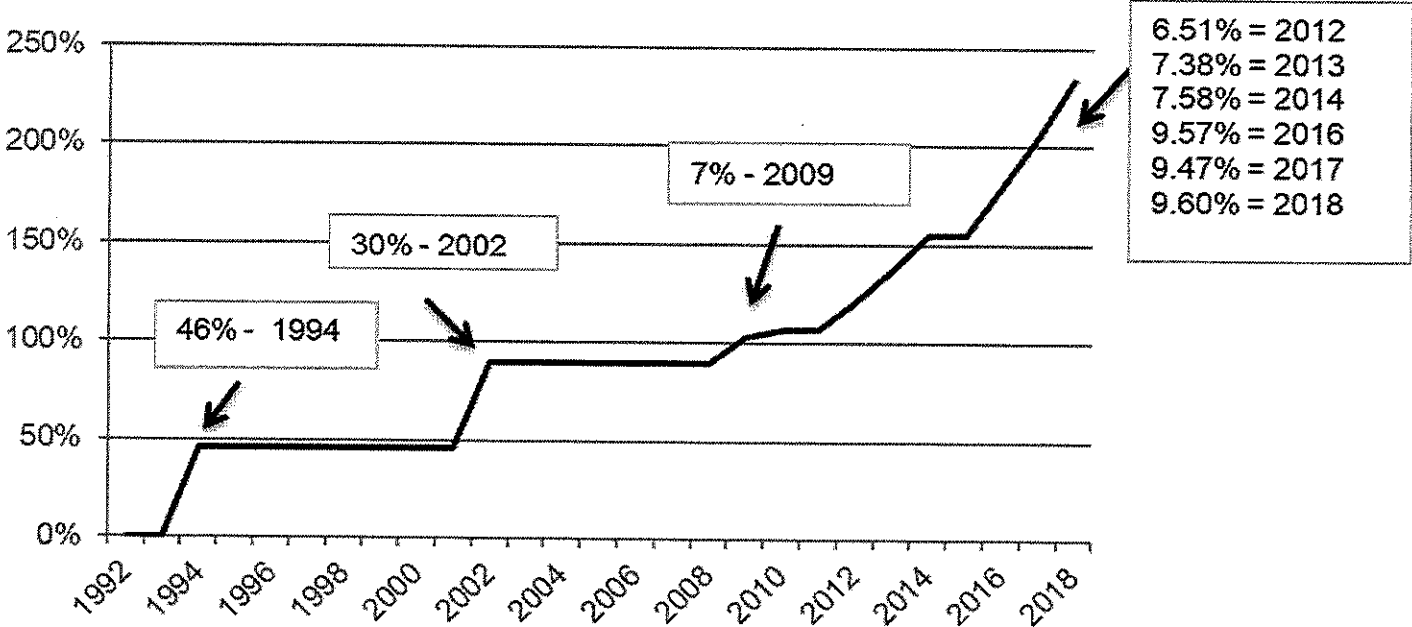
- Background on sewer user rates
- Factors affecting sewer user rates for 2019
- Recommended User Rates for 2019
- User rate comparison
- User rate estimates for next 5-years
- Questions

Background on Sewer User Rates

- The City has annually completed a user rate review since 2008
- In 2011 a long-range finance plan was prepared to estimate future user rate increases necessary to fund the annual debt service payments associated with future Treatment Facility and collection system projects
 - Updated annually in conjunction with user rate update
- **Goals:**
 - Design rates that are fair and equitable for all customer classes
 - Recover the full revenue requirements for the Utility
 - Avoid rate spikes in any particular year

Historical Look at User Rates

Cumulative Percent Increase to User Rates (Avg. Single-Family Home)



Factors Affecting the User Rates in 2019

- Need to maintain at least 1.25X debt coverage throughout the life of all revenue bonds and CWF loans
- Issued a Clean Water Fund Loan in 2018 for approximately \$20 million sewer interceptor project
- Planning to issue debt for \$5.4 million of collection system projects in 2019
- Maintaining the minimum required replacement fund balance per the 2014-2015 Clean Water Fund Loan Requirements (\$1.58 million)

Factors Affecting the User Rates in 2019

- Billable flow continues to decline
 - Primarily in the residential and industrial class over past 12 months
- Total billable flows have declined approximately 28% over the last 13-years
- Billable flows are projected to decrease 3% from 2018-2019
- Operating and Maintenance costs are projected to increase 2.13% in 2019

Results for 2019

	Current Rates Effective 1/1/2018	2019 Proposed Rates	\$ Change	% Change
<u>City (Inside) User Charges</u>				
Quarterly Fixed Charge	\$14.86	\$15.92	\$1.06	7.13%
Volumetric Charge per 1,000 gallons	\$6.62	\$7.25	\$0.63	9.50%
Quarterly flat charge (unmetered users only)	\$198.66	\$217.53	\$18.87	9.50%
Surcharge Rate BOD /lb	\$0.90	\$0.93	\$0.03	3.43%
Surcharge Rate SS /lb	\$0.46	\$0.50	\$0.04	7.78%
Surcharge Rate P /lb	\$7.87	\$8.48	\$0.61	7.75%
Surcharge Rate TKN /lb	\$1.60	\$1.72	\$0.12	7.50%
<u>Extraterritorial (Outside) User Charges</u>				
Quarterly Fixed Charge	\$14.86	\$15.92	\$1.06	7.13%
Volumetric Charge per 1,000 gallons	\$8.86	\$9.70	\$0.84	9.50%
Quarterly flat charge (unmetered users only)	\$265.72	\$290.96	\$25.24	9.50%
<u>Hauled Waste Charges</u>				
Septic Tank Rate per 1,000 gallons	\$54.18	\$59.52	\$5.34	9.85%
Holding Tank Rate per 1,000 gallons	\$17.91	\$19.67	\$1.76	9.85%
Chemical Toilet Waste Rate per 1,000 gallons	\$150.69	\$166.55	\$15.86	10.53%
Annual Cost for Average Residential User (48,000 gallons/year)	\$377.30	\$411.73	\$34.44	9.13%
Quarterly Increase			\$8.61	

Estimated Utility Cash Flow for 2019

	2019
Cash Sources	
Revenues from User Rates	\$16,329,366
Allowance for Unknowns (ie. Timing of billing, customer loss)	(\$571,528)
Other Income	\$123,000
Investment Income on Unrestricted Cash	\$38,369
Other Fees	\$60,000
Total Cash Sources	\$15,979,208
Cash Uses	
O&M	\$7,373,544
Net Before Debt Service	\$8,605,664
Debt Service	
Pension State Trust Fund	\$27,261
2012 G.O. Promisary Note	\$343,200
2014 Sewer Revenue Bonds	\$550,625
2014 Clean Water Fund Loan	\$2,209,520
2015 Clean Water Fund Loan	\$968,998
2016 Sewer Revenue Bond	\$255,050
2017 Sewer Revenue Bond	\$456,475
2018 Sewer Revenue Bond	\$389,188
2018 Clean Water Fund Loan (Interceptor Project)	\$1,264,964
2019 Revenue Bond (Refinanced 2018 NAN)	\$319,745
2019 Bond Anticipation Note (Refinanced in 2020)	\$0
Total Debt Service	\$6,785,026
Capital Outlay (non reserve)	\$1,255,000
Addition to Replacement Fund	\$250,000
Net Cash Flow	\$315,638

Comparison of Sewer User Rates – (Not Including Return Flow User Rate)

Community	Annual Cost per Single-Family Home
New Berlin, City	\$783
Muskego, City	\$671
Menomonee Falls, Village	\$584
Brookfield, City	\$458
Pewaukee, City	\$440
Waukesha, City, Proposed 1/1/19	\$412
Mukwonago, Village	\$404
Waukesha, City, Current	\$377
Oconomowoc, City	\$318
Racine, City	\$246

Based Upon 48,000 gallons per year for the average single-family home

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User Rate Estimates for Next 5-Years (Not Including Return Flow)

Year	Average Annual Payment - SF Home	Percent Rate Increase	Increase to Quarterly Bill
2019	\$411.73	9.13%	\$8.61
2020	\$450.85	9.50%	\$9.78
2021	\$493.68	9.50%	\$10.71
2022	\$538.11	9.00%	\$11.11
2023	\$586.54	9.00%	\$12.11

Jon Cameron, CIPMA
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President

262-796-6179

jcameron@ehlers-inc.com

2019 Sewer Utility – Return Flow User Rates

Presentation to Board of Public Works –
11/8/2018



Joe Ciurro

Adm. Serv. Mgr., Waukesha Water Utility

Return Flow

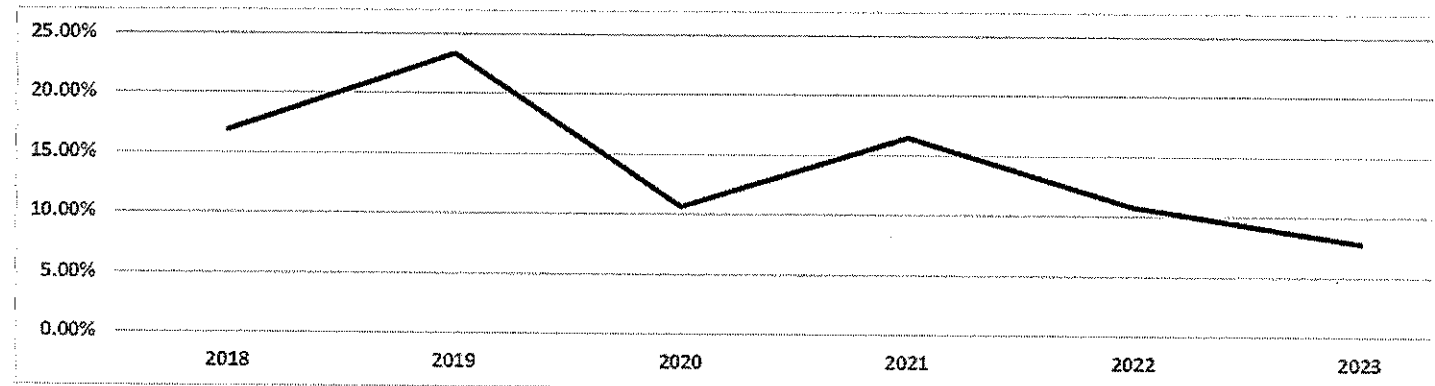
First, A Look Back

Rate Revenue Projection

From 5/3/18 Presentation

Rate Revenue Increase Projections - Return Flow/Sewer View

	2018	2019	2020	2021	2022	2023
Return Flow Rate Increase	100.00%	200.00%	17.00%	47.50%	17.00%	4.75%
Return Flow Rate Rev. (annualized)	\$ 1,200,000	\$ 3,542,729	\$ 4,095,814	\$ 5,987,713	\$ 6,959,109	\$ 7,253,539
<i>Sewer Rate Increase</i>	9.61%	9.25%	9.50%	9.50%	9.00%	9.00%
Sewer Rate Revenues	\$ 14,631,887	\$ 15,985,336	\$ 17,503,943	\$ 19,166,817	\$ 20,891,831	\$ 22,772,096
Combined RF/Swr Rate Revenues	\$ 15,831,887	\$ 19,528,065	\$ 21,599,757	\$ 25,154,530	\$ 27,850,940	\$ 30,025,635
Combined RF/Swr Rate Increase	16.89%	23.35%	10.61%	16.46%	10.72%	7.81%

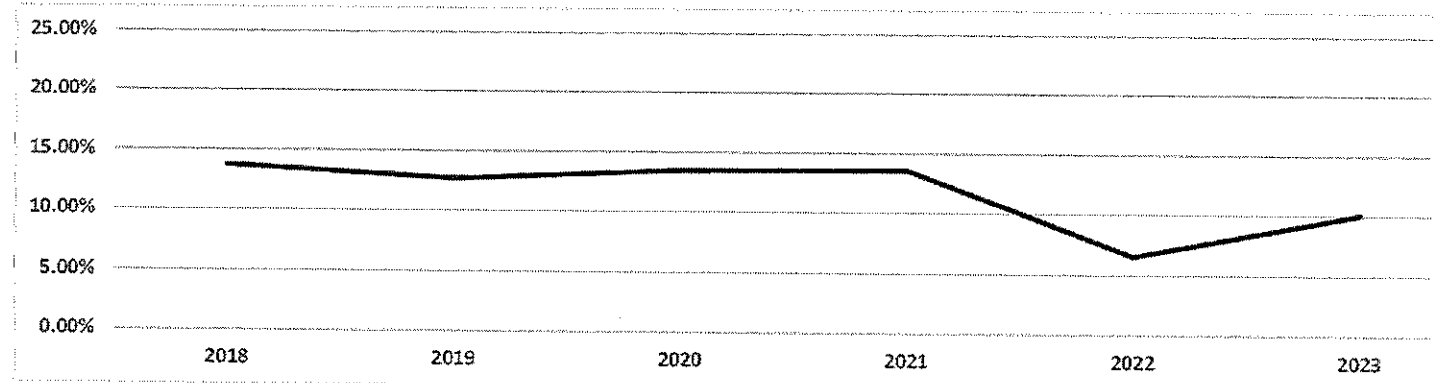


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Combined RF/Swr Rate Increase	16.89%	23.35%	10.61%	16.46%	10.72%	7.81%
<i>Water Rate Increase</i>	9.69%	0.00%	20.00%	10.00%	0.00%	15.00%
Water Rate Revenues	\$ 11,493,700	\$ 11,264,800	\$ 13,344,600	\$ 14,539,200	\$ 14,435,900	\$ 16,513,200
Combined RF/Swr/Wtr Rate Revenues	\$ 27,325,587	\$ 30,792,865	\$ 34,944,357	\$ 39,693,730	\$ 42,286,840	\$ 46,538,835
Combined RF/Swr/Wtr Rate Increase	13.75%	12.69%	13.48%	13.59%	6.53%	10.06%



Return Flow

Now, Updated Information

Return Flow CIP 2018-2023

Capital Uses of Funds - From 5/9/18 BPW Mtg

	2018	2019	2020	2021	2022	2023	Total
<u>Project/Activity</u>							
Proj Mgmt/WWU Admin	10,641,400	5,737,000	1,993,000	195,200	195,200	97,600	18,859,400
Return Flow Construct.	-	-	45,523,500	43,378,100	17,852,600	-	106,754,200
Total Capital Uses	10,641,400	5,737,000	47,516,500	43,573,300	18,047,800	97,600	125,613,600



Capital Uses of Funds - Revised Estimates - 10/31/18

	2018	2019	2020	2021	2022	2023	Total
<u>Project/Activity</u>							
Proj Mgmt/WWU Admin	9,089,700	4,719,700	1,847,000	1,869,000	865,400	794,400	19,185,200
Return Flow Construct.	-	-	46,543,000	44,496,000	18,198,900	-	109,237,900
Total Capital Uses	9,089,700	4,719,700	48,390,000	46,365,000	19,064,300	794,400	128,423,100

Return Flow Rate Projection 2018-2023

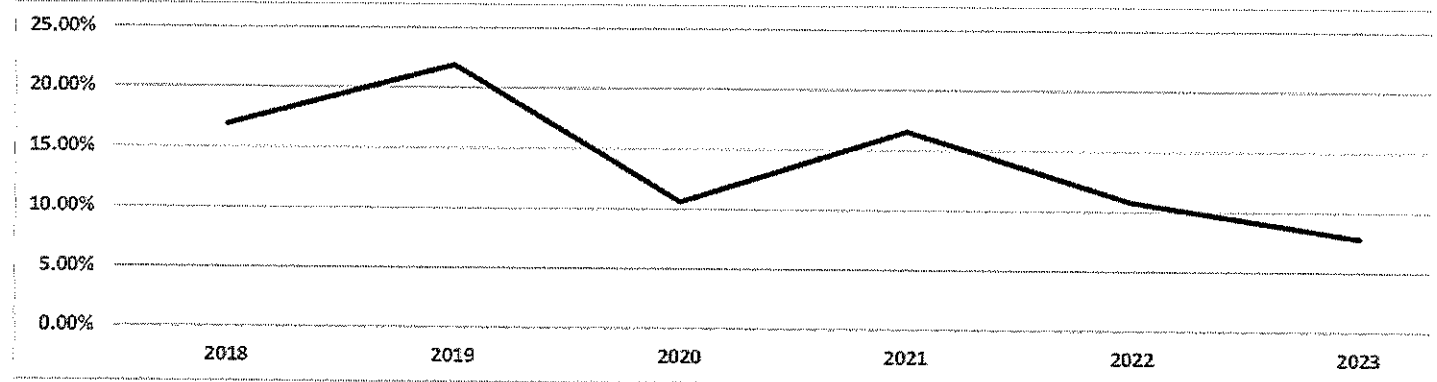
Return Flow Rate Calculation by Year						
	2018	2019	2020	2021	2022	2023
Revenues generated by rates	\$ 700,000	\$ 3,542,729	\$ 4,095,814	\$ 5,987,713	\$ 6,959,109	\$ 7,253,539
Investment income	2,800	21,700	53,500	83,800	101,300	105,100
Less: Operating Expenses	-	-	-	-	(219,600)	(452,300)
Net Revenues	\$ 702,800	\$ 3,564,429	\$ 4,149,314	\$ 6,071,513	\$ 6,840,809	\$ 6,906,339
Debt Service (Subsequent Year)	\$ 343,487	\$ 961,089	\$ 3,188,006	\$ 5,338,180	\$ 5,980,740	\$ 5,979,841
Total Debt Service Coverage	2.05	3.71	1.30	1.14	1.14	1.15
Projected Usage (1,000 Gal.)	1,135,576	1,915,732	1,893,002	1,876,203	1,863,746	1,854,509
Return Flow Charge (\$/1,000 Gal.)	0.62	1.85	2.16	3.19	3.73	3.91
Return Flow Rate Increase	100.00%	200.00%	17.00%	47.50%	17.00%	4.75%

Rate Revenue Projection

Revised 10/31/18

Rate Revenue Increase Projections - Return Flow/Sewer View

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<i>Sewer Rate Increase</i>	9.61%	9.18%	9.50%	9.50%	9.00%	9.00%
Sewer Rate Revenues	\$ 14,631,887	\$ 15,757,838	\$ 17,254,827	\$ 18,894,042	\$ 20,594,506	\$ 22,448,011
Combined RF/Swr Rate Revenues	\$ 15,831,887	\$ 19,300,567	\$ 21,350,641	\$ 24,881,755	\$ 27,553,615	\$ 29,701,550
Combined RF/Swr Rate Increase	16.89%	21.91%	10.62%	16.54%	10.74%	7.80%

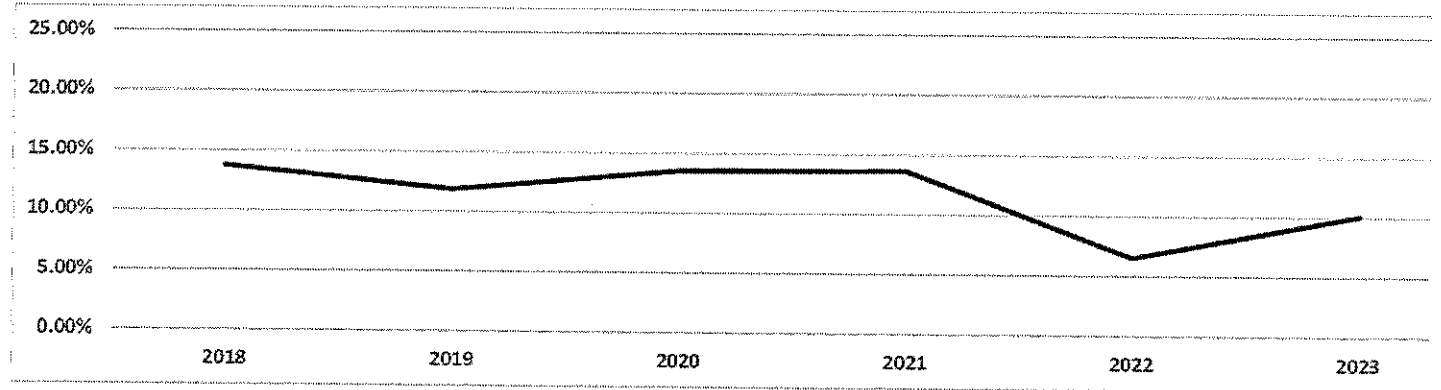


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Combined RF/Swr/Wtr Rate Revenues	\$ 27,325,587	\$ 30,565,367	\$ 34,695,241	\$ 39,420,955	\$ 41,989,515	\$ 46,214,750
Combined RF/Swr/Wtr Rate Increase	13.75%	11.86%	13.51%	13.62%	6.52%	10.06%



Rate Revenue Projection

Revised 10/31/18

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Utility Billing Impact - Global View - Single Residential

	2018	2019	2020	2021	2022	2023
	\$/Yr	\$/Yr	\$/Yr	\$/Yr	\$/Yr	\$/Yr
Return Flow	\$ 29.59	\$ 88.77	\$ 103.86	\$ 153.19	\$ 179.23	\$ 187.74
Sewer	377.20	411.73	450.85	493.68	538.11	586.54
RF/Swr	\$ 406.79	\$ 500.50	\$ 554.71	\$ 646.87	\$ 717.34	\$ 774.29
Water	344.40	344.40	413.28	454.61	454.61	522.80
RF/Swr/Wtr	\$ 751.19	\$ 844.90	\$ 967.99	\$ 1,101.48	\$ 1,171.95	\$ 1,297.09

**Assumes 48,000 gallons used annually.