### 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

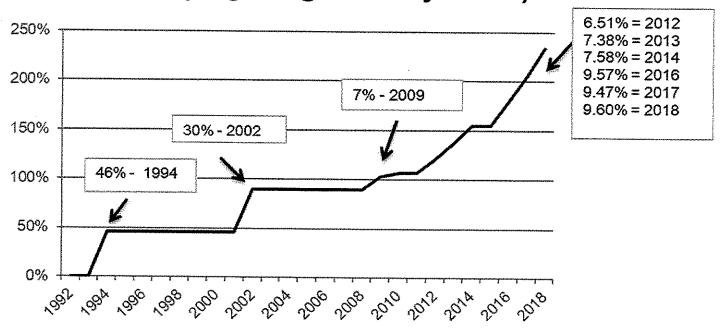
- The City has annually completed a user rate review since 2008
- In 2011 a long-range finance plan was prepared to estimate future user rate increases necessary to fund the annual debt service payments associated with future Treatment Facility and collection system projects
  - Updated annually in conjunction 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

City (Inside) User Charges	Current Rates Effective 1/1/2018	2019 Proposed Rates	\$ Change	% Change
Quarterly Fixed Charge	044.00	0.5		
Volumetric Charge per 1,000 gallons	\$14.86	\$15.92	\$1.06	7.13%
to the state of th	\$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%
Extraterritorial (Outside) User Charges				
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%
Hauled Waste Charges			·	
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)  Quarterly Increase	\$377.30	\$411.73	\$34.44 \$8.61	9.13%

## 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)

	Annual Cost per
Community	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)

	Average Annual	Percent Rate	Increase to
 Year	Payment - SF Home	Increase	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 Senior Municipal Advisor/Vice President

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# 2019 Sewer Utility – Return Flow User Rates

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



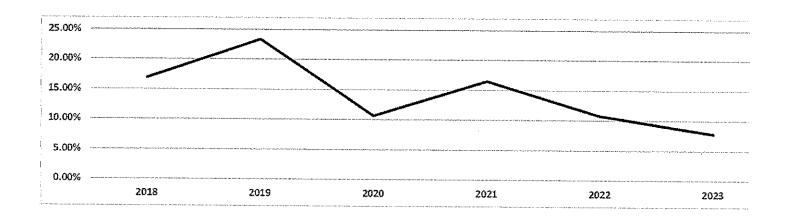
Joe Ciurro

Adm. Serv. Mgr., Waukesha Water Utility

Return Flow First, A Look Back

# Rate Revenue Projection From 5/3/18 Presentation

	Rat	e Revenue Inc	rea	se Projection	s - F	leturn Flow/S	ew	eir <b>View</b>				
		2018	······································	2019	I	2020	l	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
Sewer Rate Increase		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%



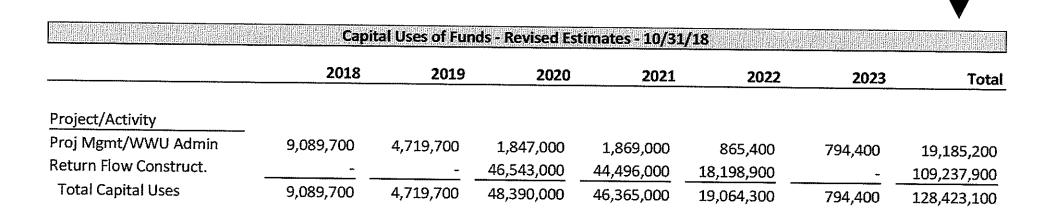
### Rate Revenue Projection From 5/3/18 Presentation

		Rate Reven	ıue	Increase Proj	ect	ions-Global \	/iev					
		2018		2019		2020	······································	2021		2022		2023
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Combined RF/Swr Rate Increase		16.89%		23.35%		10.61%	•	16.46%	*	10.72%	Ψ	7.81%
Water Rate Increase		9.69%		0.00%		20.00%		10.00%		0.00%		15.00%
Water Rate Revenues	\$	11,493,700	\$	11,264,800	\$	13,344,600	Ś	14,539,200	ς.	14,435,900	\$	16,513,200
Combined RF/Swr/Wtr Rate Revenue	s \$	27,325,587	•	30,792,865		, <u>.</u>	\$	39,693,730		42,286,840	\$	46,538,835
Combined RF/Swr/Wtr Rate Increase		13.75%	•	12.69%	*	13.48%	77"	13.59%	Ψ,	6.53%	۲	10.06%
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		2018		2019		2020		2021		2022	*** Huduld	2023

## Return Flow Now, Updated Information

# Return Flow CIP 2018-2023

		apital Uses of	Funds - From 5	/9/18 BPW Mt			
	2018	2019	2020	2021	2022	2023	Tota
Project/Activity 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. Total Capital Uses	10,641,400	5,737,000	45,523,500 47,516,500	43,378,100	17,852,600 18,047,800	97,600	106,754,200 125,613,600

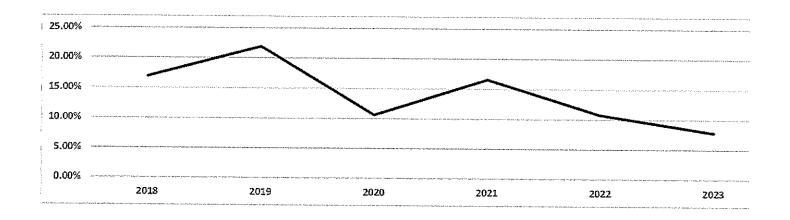


# Return Flow Rate Projection 2018-2023

		Retur	n Flow Rate Calcula	ition by Year						
		2018	2019	2020		2021		2022		2023
Revenues generated by rates Investment income Less: Operating Expenses	\$	700,000 2,800	\$ 3,542,729 \$ 21,700 — —	4,095,814 53,500 -	\$	5,987,713 83,800 -	\$	6,959,109 101,300 (219,600)	\$	7,253,539 105,100 (452,300)
Net Revenues Debt Service (Subsequent Year)	\$ \$	702,800 343,487	\$ 3,564,429 \$ \$ 961,089 \$	4,149,314 3,188,006	\$ \$	6,071,513 5,338,180	\$ \$	6,840,809 5,980,740	\$ \$	6,906,339 5,979,841
<b>Total Debt Service Coverage</b>		2.05	3.71	1.30	<del>,</del>	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

	Rat	e Revenue Increa	se Projections	Return I	low/s	ew	er View		
	***************************************	2018	2019		2020		2021	2022	2023
Return Flow Rate Increase		100.00%	200.00%	1	7.00%		47.50%	17.00%	4.75%
Return Flow Rate Rev. (annualized)	\$	1,200,000 \$	3,542,729 \$	4,09	5,814	\$	5,987,713 \$	6,959,109	\$ 7,253,539
Sewer Rate Increase		9.61%	9.18%		9.50%		9.50%	9.00%	9.00%
Sewer Rate Revenues	\$	14,631,887 \$	15,757,838 \$	17,25	4,827	\$	18,894,042 \$	20,594,506	\$ 22,448,011
Combined RF/Swr Rate Revenues	\$	15,831,887 \$	19,300,567 \$	21,35	0,641	\$	24,881,755 \$	27,553,615	\$ 29,701,550
Combined RF/Swr Rate Increase		16.89%	21.91%	1	0.62%	-	16.54%	10.74%	7.80%



# Rate Revenue Projection Revised 10/31/18

		2018		2019		2020		2021		2022		2023
Return Flow Rate Increase		100.00%		200.00%		17.00%		47.50%		17.00%		4.75%
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Water Rate Increase		9.69%		0.00%		20.00%		10.00%		0.00%		15.00%
Water Rate Revenues	\$	11,493,700	Š	11,264,800	\$	13,344,600	\$	14,539,200	<b>&lt;</b>		\$	16,513,200
Combined RF/Swr/Wtr Rate Revenues	\$		•	30,565,367	•	34,695,241	•	39,420,955			ب \$	46,214,750
Combined RF/Swr/Wtr Rate Increase		13.75%	•	11.86%	,	13.51%	7	13.62%	***	6.52%	Ļ	10.06%
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ı		2018		2019		2020		2021		2022	/ <b>4</b> 1-3 3	2023

# Rate Revenue Projection Revised 10/31/18

		Rate Reve	nue	Increase Pro	ect	ions - Global Y	/iev					
		2018		2019		2020		2021		2022		2023
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Water Rate Increase		9.69%		0.00%		20.00%		10.00%		0.00%		45.000
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Combined RF/Swr/Wtr Rate Increase	7	13.75%	~	11.86%	Ý	13.51%	Ψ,	13.62%	*	41,989,515 <b>6.52</b> %	\$	46,214,750 <b>10.06</b> %
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		Utility Billing I	mp	act - Global V	iew	- Single Resid	ent	ial				
	***************************************	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

<sup>\*\*</sup>Assumes 48,000 gallons used annually.