



Utility Capital & Rate Planning

April 23, 2017
Directions Workshop



ENVIRONMENTAL FINANCIAL GROUP, INC.
in association with
PUBLIC RESOURCES MANAGEMENT GROUP, INC.

\$89 MILLION CIP FUNDING FY 2018 – 2022 (PRELIMINARY ESTIMATE)



Workshop Focus

1. 5 - YEAR CAPITAL IMPROVEMENT PLAN (CIP) FUNDING
2. 5 - YEAR WATER & WASTEWATER RATE STRUCTURE & PLAN
3. CAPACITY CHARGES
4. OTHER UTILITY SERVICE FEES

Utility System Financial Overview

- \$20 million annual monthly billing revenues
- \$6 million annually available to fund capital projects
- Last study conducted in 2009
- 82% Single meter residential
- 13% Commercial
- 5% Master meter residential

CIP Funding Plan

- Fund 2018-2022 CIP of \$89 million (preliminary estimate)
- Prioritize Funding Sources
- Unrestricted cash reserves
- Current year rate and fee revenue
- Bond proceeds
- Index online rates to support both operations and capital

	2018	2019	2020	2021	2022
	0	1	2	3	4
CAPACITY FEE FUNDING SOURCE					
Reuse Transmission Expansion	-	-	-	450,000	3,000,000
OPERATING REVENUES FUNDING SOURCE					
Communications & Technology	3,923,022	-	-	-	-
General Facilities Improvements	3,025,000	2,000,000	25,000	175,000	-
Force Main / Lift Station Improvements	3,219,976	150,000	4,220,000	3,450,000	4,300,000
Water Storage Repump Improvements	60,000	-	-	-	-
Water Distribution/Transmission/Meters	450,000	600,000	3,775,000	3,075,000	3,750,000
Gravity Collection System Improvements	520,000	1,950,000	-	-	-
Water Supply Improvements	590,000	440,000	570,000	650,000	240,000
Water Treatment	17,000,000	-	-	3,200,000	2,600,000
Wastewater Treatment	17,200,000	2,780,000	-	-	325,000
Reuse Tranmission	600,000	300,000	300,000	-	-
Subtotal	46,587,998	8,220,000	8,890,000	10,550,000	11,215,000
TOTAL CIP	46,587,998	8,220,000	8,890,000	11,000,000	14,215,000
CUMULATIVE CIP	46,587,998	54,807,998	63,697,998	74,697,998	88,912,998

Source: Village of Wellington staff.

5 YEAR CASH FLOW FORECAST

	2018	2019	2020	2021	2022
	1	2	3	4	5
Customer Rate Revenue (Indexing + Growth)	19,666,603	20,540,000	21,436,900	22,372,000	23,346,800
Operating Expenses	(13,261,845)	(14,057,556)	(14,408,995)	(14,769,219)	(15,138,450)
CASH FLOWS FROM OPERATING ACTIVITIES	6,404,758	6,482,444	7,027,905	7,602,781	8,208,350
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	(1,966,660)	(2,054,000)	(2,143,690)	(2,237,200)	(2,334,680)
Capital Projects	(46,587,998)	(8,220,000)	(8,890,000)	(11,000,000)	(14,215,000)
Bond Proceeds	-	-	-	25,000,000	-
Other	270,000	270,000	270,000	(1,619,005)	(1,619,005)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(46,317,998)	(7,950,000)	(8,620,000)	12,380,995	(15,834,005)
CASH FLOWS FROM INVESTING ACTIVITIES	320,000	139,607	104,541	175,997	216,893
NET INCREASE (DECREASE) IN CASH	(41,559,900)	(3,381,949)	(3,631,244)	17,922,573	(9,743,442)
 BEGINNING YEAR CASH	 57,211,530	 15,651,630	 12,269,681	 8,638,437	 26,561,009
END YEAR CASH	15,651,630	12,269,681	8,638,437	26,561,009	16,817,567
 OPERATING RESERVE	 	 2,342,926	 2,401,499	 2,461,537	 2,523,075
 UNRESTRICTED CASH	 	 9,926,755	 6,236,937	 24,099,473	 14,294,492

Maintaining Strong Utility Financial Performance

- Fully-Funded 2018-2022 Capital Improvement Plan of \$89 million
- 2-month permanent operating reserve

- >\$10M minimum cash reserves for capital projects
- Judicious use of long-term borrowing
- >2.0x debt service coverage
- <40% debt to equity ratio
- AA or greater bond rating performance
- Flexibility to Take Advantage of Market Timing

Maintaining Strong Utility Financial Performance

- Indexing at greater of 3.5% or CPI
- Consider borrowing before first quarter FY 2021
- Stay flexible on amount and timing for now
- Continue to update CIP and potential borrowing need annually



Approach to Utility Rates and Funding

Balance Conservation and Revenue Stability

- Align water-conserving rates with higher cost of service during peak times

Maintain Strong Fiscal Position

- Continue assignment of funds for operating emergencies and unexpected capital repairs

Focus on Income, Cash and Ability to Borrow if Needed



Utility Rate Structure

Monthly Base Facility Rate

- Addresses fixed and non-variable costs of utility service (e.g. labor, maintenance)

Usage Charge

- Addresses variable costs (e.g. chemicals, energy, maintenance)

Miscellaneous Fees

- Recovers cost of specific utility services (e.g. meter installation, grease trap inspection)

Impact Fees (Capacity Charges)

- Physical system capacity attributable to growth



Findings

Sewer has become a costlier part of the utility business

Water cost has decreased slightly

Revenue percentage breakdown

- 82% Single meter residential
- 13% Commercial
- 5% Master meter residential



Monthly Bill Recommendations

Implement Annual Indexing at Greater of CPI or 3.5 percent

Single Family Residential

- Maintain existing base fees
- Maintain existing usage blocks and rates

Master Metered Residential

- Maintain existing base fees
- Maintain existing usage blocks and rates

Commercial/Governmental/Irrigation

- Merge customer classes and rates
- Implement uniform usage blocks and rates

	Existing FY 2017-18	Proposed FY 2018-19
WATER Block 1 (0-8,000), \$/000	\$2.11	\$2.82
WATER Block 2 (8,001-15,000), \$/000	\$3.15	\$2.82
WATER Block 3 (> 15,000), \$/000	\$4.22	\$2.82
SEWER Block 1 (All Flow), \$/000	\$1.96	\$2.03

Shown prior to FY2018-19 indexing

**Adjust
capacity
charges**



**Evaluate
rates every
two years**



**Approve
new fire
line
charges**



**Monitor borrowing
needs and bond
interest rates**

Meter Size	Customer Deposits				Water Meter Installation Fees	
	Water		Wastewater			
	Existing	Proposed	Existing	Proposed	Existing	Proposed
5/8-Inch Metered Customer	\$70.00	\$60.00	\$60.00	\$60.00	\$350.00	\$380.00
1 -Inch Metered Customer	110.00	150.00	90.00	150.00	400.00	501.00
1.5-Inch Metered Customer	220.00	300.00	180.00	300.00	575.00	671.00
2-Inch Metered Customer	335.00	480.00	265.00	480.00	765.00	793.00
3-Inch Metered Customer	750.00	960.00	600.00	960.00	1,250.00	903.00
4-Inch Metered Customer	1,050.00	1,500.00	850.00	1,500.00	1,918.00	1,098.00

Miscellaneous Service	Existing	Proposed
Account Application / Service Initiation	\$25.00	\$25.00
Account Transfer	25.00	25.00
Delinquent Account Charge	5.00	10.00
Water Service Call – Normal Hours	15.00	55.00
Water Service Call – After Hours	50.00	180.00
Wastewater Service Call – Normal Hours	15.00	124.00
Wastewater Service Call – After Hours	50.00	180.00
Wastewater Line Inspection Service	N/A	142.00
Meter Testing Fee (2-Inch and Smaller)	40.00	135.00
Unauthorized Connection / Tampering	300.00	300.00
Palm Beach County Recording Fees	40.00	Removed
Grease Trap Inspection Fee	40.00	165.00

Recognizes Current Employee Fully-Loaded Hourly Rates

Includes Adjustment for Vehicle Cost Recovery

New Fee Designed for Wastewater Line Inspection

- Recognizes Additional Expense of Line Camera

Fees with Substantial Increase

- After Hours Service Calls
- Meter Testing Fees
- Grease Trap Inspections

	Monthly Base Facility Fee	Capacity Charges (Separate Connection)
Single Meter Residential, per Connection	n/a	n/a
Master Meter Residential and Commercial		
2 Inch Meter	\$9.50	\$11,840.00
3 Inch Meter	19.00	23,680.00
4 Inch Meter	30.00	37,000.00
6 Inch Meter	60.00	74,000.00
8 Inch Meter	By Analysis	By Analysis

- Standard utility and PSC practice
- Acknowledge fixed and non-variable cost of fire line service
- Capacity Charges address cost of system peaking capacity



**Review
Capacity Charges
in 3 Years to Adjust
to Additional Capital
Investment**



**Capacity Charges
generally in alignment
with value of system
capacity**



RECOMMENDED CAPACITY CHARGES



EXISTING				PROPOSED			
	Water	Wastewater	TOTAL	Water	Wastewater	TOTAL	
Single Meter Residential (<1 Inch)	\$1,660.00	\$1,890.00	\$3,550.00	\$1,480	\$2,270	\$3,750	5.6%
Single Meter Residential (1 Inch)	2,739.00	3,119.00	5,858.00	2,440	3,750	6,190	5.6%
Master Meter Residential, per Unit	1,363.25	1,547.75	2,911.00	1,450	1,625	3,075	5.6%
Commercial, 5/8 Inch Meter	1,660.00	1,890.00	3,550.00	1,480	2,270	3,750	5.6%
Commercial, 1 Inch Meter	4,150.00	4,725.00	8,875.00	3,700	5,675	9,375	5.6%
Commercial, 1-1/2 Inch Meter	8,300.00	9,450.00	17,750.00	7,400	11,350	18,750	5.6%
Commercial, 2 Inch Meter	13,280.00	15,120.00	28,400.00	11,840	18,160	30,000	5.6%
Commercial, 3 Inch Meter	26,520.00	30,240.00	56,760.00	23,680	36,320	60,000	5.6%
Commercial, 4 Inch Meter	41,500.00	47,250.00	88,750.00	37,000	56,750	93,750	5.6%
Commercial, 6 Inch Meter	83,000.00	94,500.00	177,500.00	74,000	113,500	187,500	5.6%
Commercial, 8 Inch Meter	132,800.00	151,200.00	284,000.00	By Analysis	By Analysis	By Analysis	n/a