



# Storm and Surface Water Plan - Finances

Utility Advisory Committee

April 5, 2018

# Follow-up Discussion

- ▶ City Council Study Session
  - ▶ Public hearing – April 10
- ▶ Initial finances and rates revised
  - ▶ Shared with Council – but not the UAC
  - ▶ Potential Rate increases lowered
  - ▶ Rate structure revisited
- ▶ **No Decisions now – Discuss during rate and budget process (Sept.)**

# The Plan's Financial Analysis

## Full Implementation

	2017	2018	2019	2020	2021	2022
<b>Revenues</b>						
Rate Revenue at Existing Rates	\$5,029	\$5,041	\$5,053	\$5,064	\$5,076	\$5,087
Other Revenues	13	11	10	8	8	8
<b>Total</b>	<b>\$5,042</b>	<b>\$5,052</b>	<b>\$5,063</b>	<b>\$5,072</b>	<b>\$5,084</b>	<b>\$5,095</b>
<b>Expenses</b>						
Operating Expenses	\$4,504	\$4,662	\$4,854	\$5,062	\$5,283	\$5,442
Debt Service	123	123	208	431	426	422
System Reinvestment	688	909	1,200	1,400	1,600	1,700
<b>Total</b>	<b>\$5,315</b>	<b>\$5,694</b>	<b>\$6,262</b>	<b>\$6,893</b>	<b>\$7,309</b>	<b>\$7,564</b>
<b>Net Cash Flow at Existing Rates</b>	<b>(\$273)</b>	<b>(\$642)</b>	<b>(\$1,199)</b>	<b>(\$1,821)</b>	<b>(\$2,225)</b>	<b>(\$2,469)</b>
<b>Annual Rate Adjustment</b>		<b>13.0%</b>	<b>13.0%</b>	<b>10.0%</b>	<b>7.0%</b>	<b>3.0%</b>
<b>Summary After Rate Adjustments:</b>						
Rate Revenue	\$5,029	\$5,696	\$6,452	\$7,113	\$7,628	\$7,875
Net Cash Flow	(\$273)	(\$62)	\$39	(\$7)	\$34	(\$1)
Ending Operating Fund Balance <sup>1</sup>	\$1,109	\$971	\$554	\$548	\$581	\$580
<b>Minimum Operating Fund Balance</b>	<b>\$450</b>	<b>\$466</b>	<b>\$485</b>	<b>\$506</b>	<b>\$528</b>	<b>\$544</b>

Table 12.1 Revenue Requirement Forecast (\$000s)

<sup>1</sup> Ending balance reflects transfers in 2018 and 2019 totaling \$531,000 to the Capital Fund to pay for projects.

# Key Drivers - Full Implementation Scenario

- Increasing capital depreciation funding from \$687,000 to \$1.7 million by 2020 (**20% rate increase**)
- Inflation of 2.1 to 5.0 percent in operating and capital costs (**14% rate increase**)
- One new employee each year 2018-2021 (**8% rate increase**)
- Total 6-Year CIP of \$17.7 million by 2022 (**6% rate increase**)

# Continued Shortcomings

- Modest investments in sea level rise (\$122,000)
- Assume grant funding for:
  - Water quality retrofit projects (75%)
  - Expansion of the street sweeping program

# Proposed Implementation

## Rate Implications

- 2019-2021: +/- 6.75 percent annually (\$0.90 Month)
- 2022-2024: +/- 3-4 percent annually
- 27% rate increase through 2022 (rather than a 54%)

# Key Drivers

- Inflation of 2.1 to 5.0 percent in operating and capital costs
  - Rate implication - approximately **13%**
- Increasing capital depreciation funding from \$687,000 to \$1.1 million by 2020
  - Rate implication - approximately **9%**
- One new employee (LID and Vegetation Management) in 2019
  - Rate implication - approximately **2.5%**

# Shortcomings

## Additional reductions

- Grant funded employee (Street Sweeping) in 2020 - additional FTEs required in mid-2020's to address LID
- Cooper Point/Black Lake Flooding and Ellis Creek Culvert pushed out beyond 2024

## Same as full implementation

- Grant funding for water quality projects (75%)
- Sea level rise (\$122,000)

# Current Rates

## Single Family Residential

- Fixed rate (\$13.37/month)
- 10% discount if homeowners association has a maintenance agreement – no performance requirement

## Commercial and Multi-Family

- Fixed administrative fee (\$13.08/month)
- Charge per billing unit (2,528 square feet of impervious area)

Three tiers based on development date

- Category 3 - pre-1980 (full rate, \$12.97/unit)
- Category 2 - 1980 – 1990 (21% discount, \$10.28/unit) and
- Category 1 - after January 1990 (62% discount, \$4.92/unit)

# Challenges

## Deficiencies in current rate structure

- Development dates don't always correspond with levels of stormwater mitigation
- No acknowledgement of low impact development
- Perceived as not incentivizing retrofits

# Cost of Service Analysis

- Approximately 66% of the Utility's expenses are fixed (public infrastructure maintenance, regulations, etc.)
- That leaves approximately 33% of rates that can be used to incentivize retrofits based on onsite mitigation
- Offering higher than a 33% credit is possible but requires policy/legal consideration

# Proposed Structures

## Residential

- Same fixed rate (\$13.37/month)
- **5% discount** if homeowners association has a maintenance agreement **and submits an annual report documenting maintenance**

## Commercial and Multi-Family Customers\*

- Same administrative fee
- New tier definition
  - **Category 1 – Full mitigation** - LID or full infiltration - 50% discount, \$6.10/unit
  - **Category 2 – Partial mitigation** - 20% discount, \$9.76/unit, and
  - **Category 3 – No mitigation** - full rate, approx. \$12.20/unit.
  - **5% discount** if property owner has a maintenance agreement **and submits an annual report documenting maintenance**



# Questions and Discussion