

Water & Sewer Rate and Connection Fee Study Briefing

- Study Background
- Industry Perspective
- Questions to consider



Presentation to
PWP&T
Committee

February 27, 2019

Introductions



B.S.B.A – Finance Economics,
Rockhurst University, 1991

M.B.A – Finance emphasis,
University of Missouri-Kansas
City, 1997

- ▶ Project Manager at Burns & McDonnell
- ▶ 28 years in utility financial planning / rates
- ▶ Specialize in water and wastewater utilities
- ▶ Supported by our Downer's Grove and Chicago offices

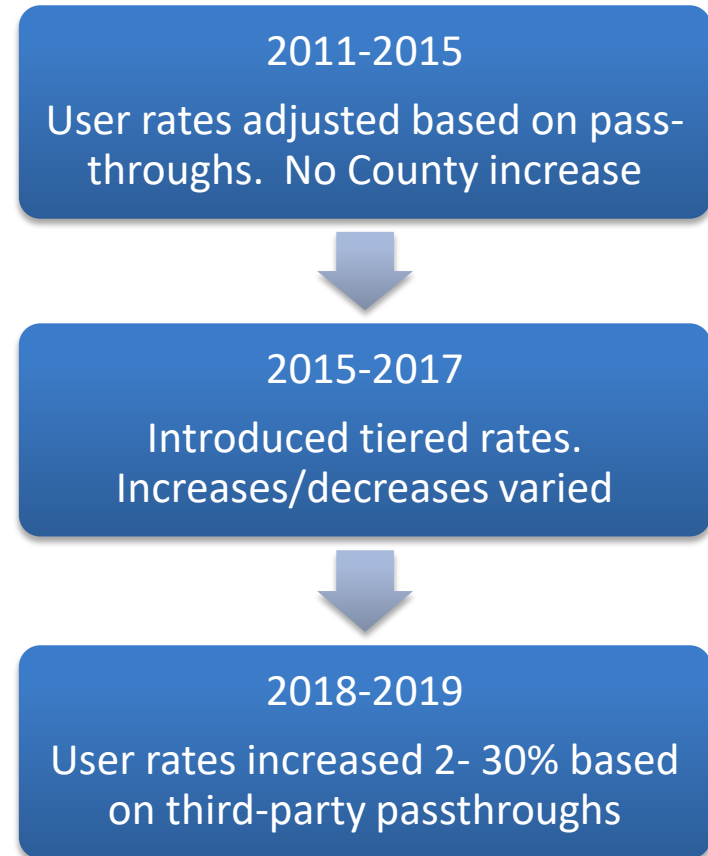
Project timeline

August	Project initiation and data collection
October - January	Analysis and scenario runs
February	PWPT process overview
April	PWPT draft proposal reviews
May - June	PWPT decision

Rate structures past and present

Implemented as part of the 2015 rate study

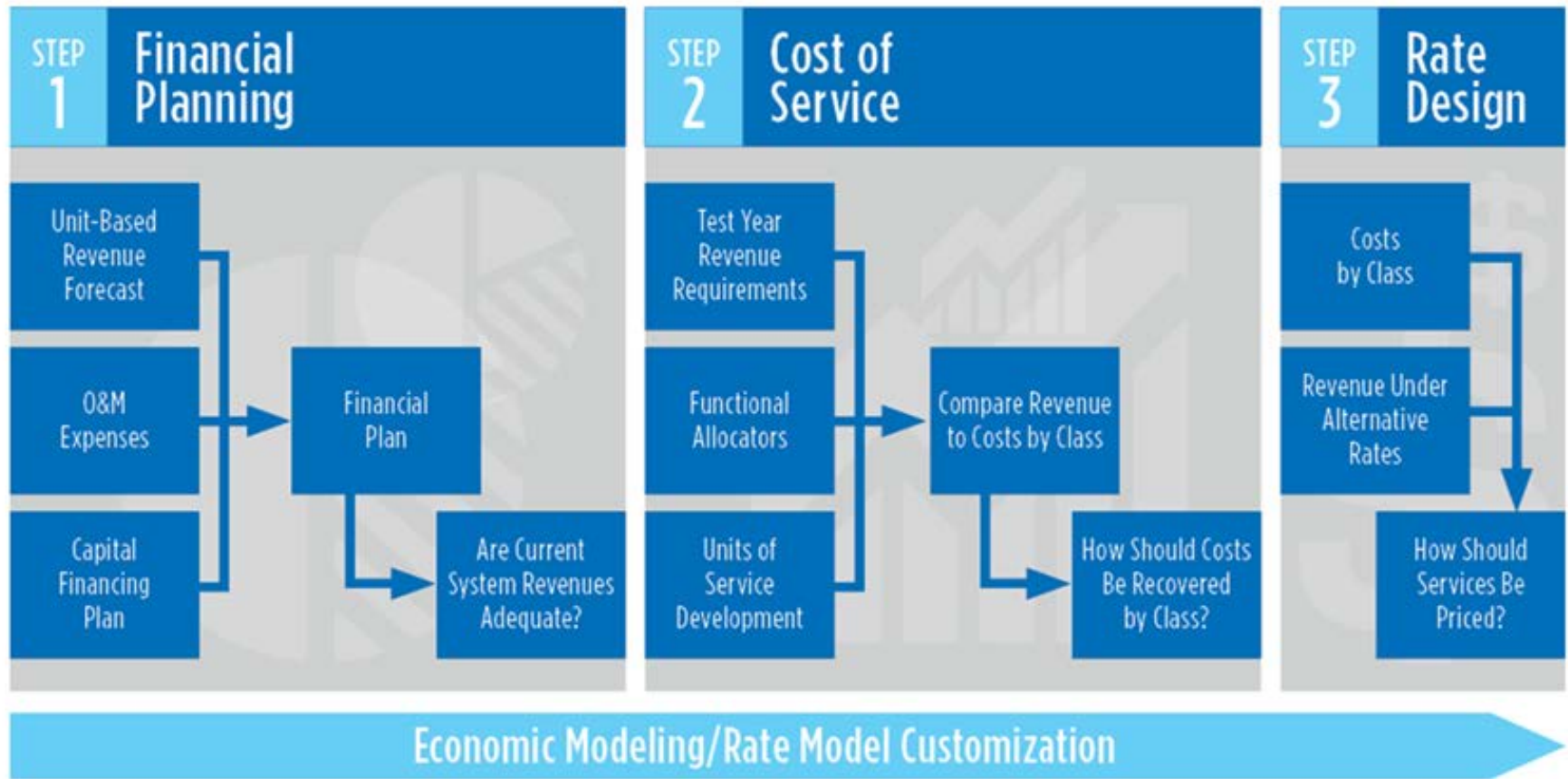
- ▶ Minimum charges for customers decreased from 3,000 to 2,000 gallons per month
- ▶ Summer sewer credit cap increased from 110 – 120%
- ▶ Introduction of a tiered rate structure for residential customers to encourage conservation with a 5% differential based on usage



Study purpose & goals

- ▶ Forecast future funding needs (operating & capital)
- ▶ Are existing revenues sufficient? Can we meet financial targets?
 - Debt service coverage
 - Reserve targets
- ▶ Develop plan to address funding gaps
- ▶ Allocate costs to services and regions
- ▶ Develop rates that
 - Reflect cost of service
 - Promote conservation
 - Unify / standardize where possible
- ▶ Evaluate connection fees
- ▶ Compare rate recommendations to regional practices

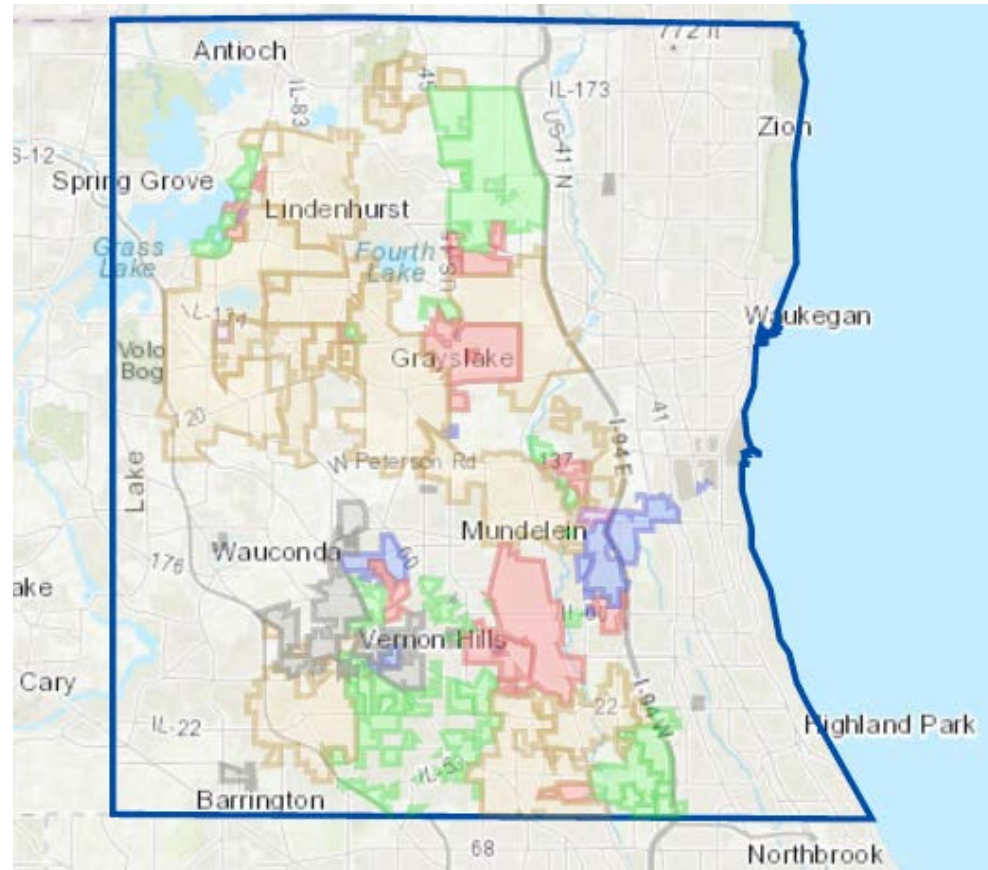
Study approach



- ▶ Aligns with AWWA & WEF best practices
- ▶ Anticipate providing findings / recommendations in about 60 days

Extensive regional diversity of systems and customers

- ▶ Services by region
 - Water & sewer
 - Treatment service
 - Retail & Wholesale
- ▶ Existing rate structure reflects this complexity
- ▶ Data limitations can be a factor
- ▶ Natural friction between some goals such as rate simplification vs equity



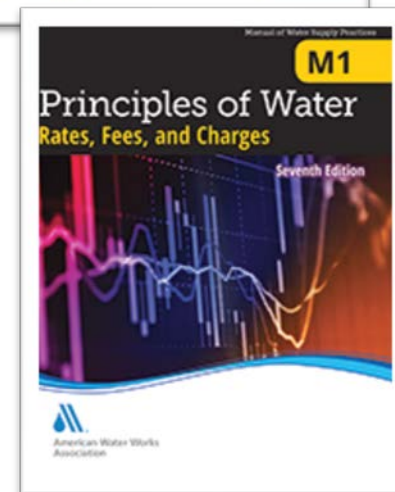
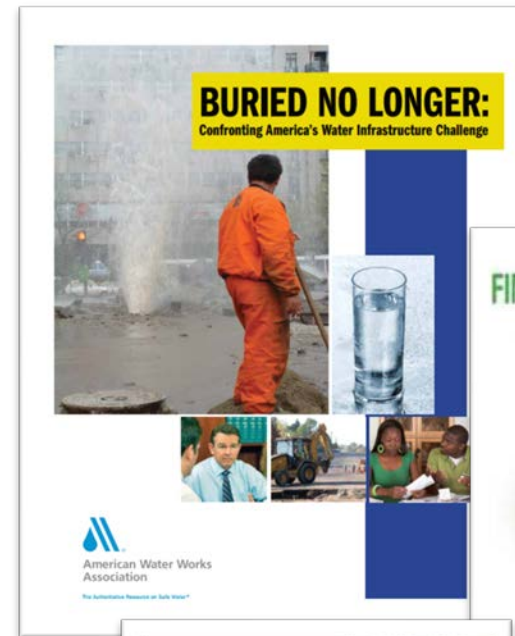
Nationally, utility rate increases are outpacing inflation

Survey or Publication	Period	Historical Increase per Year
Water and Sewer Index, BLS	1986-2017	5%
NACWA Cost of Clean Water	1985-2017	5%
AWWA Rate Survey	2004-2014	6%

- ▶ Other industry surveys also in the 5-6% per year range
- ▶ Renewal and replacement is underfunded for many communities

Factors contributing to rising utility rates

- ▶ General decline in usage leading to lower revenues for many utilities
- ▶ Most utility costs are fixed and do not vary with water use
- ▶ Increasing regulations
- ▶ Inflation on operating and capital costs
- ▶ Aging facilities require renewal and replacement



Questions to consider for our next presentation

- ▶ What would it take to fully fund the capital improvement plan?
- ▶ How can we phase-in rate increases and rate structure changes to mitigate rate shock?
- ▶ How much change are we willing to implement to achieve rate consolidation?

OPEN DISCUSSION

