



City of **GREENSBORO** *North Carolina*

Water & Sewer Fund

FY 2015-2016 Budget

April 16, 2015



Water Resources Enterprise Fund

Agenda

1. Rate Proposal
2. Rate Comparisons with NC Cities
3. Revenues and Expenses
4. Rate Drivers
 - a) Regulatory Compliance
 - b) Infrastructure Rehab and Replacement
 - c) Capacity
 - d) Financial Position



FY 2015 Update

Rate Increase Projections for FY15-16 through FY17-18

- Last year's April Budget Briefing predicted a 6.25% increase for inside customers in FY15-16, 6.25% in FY16-17 & 7.25% in FY17-18 (the increases for outside customers ranged from 7.50% - 8.25%)
- The current rate model calls for a 5.5% increase for inside customers annually for FY15-16, FY 16-17 & FY17-18 (the increases for outside customers range from 6.5% - 8.0%)
 - TZO improvements to meet Jordan Lake rules are proceeding slower than anticipated spreading the impact of debt service costs over next 5 years
 - TZO improvements of \$95.1M will be financed from a portion of \$170M in Revenue Bonds to be issued 2016-2019 for W&S system improvements
 - \$113M in W&S projects will be PAYGO funded over the next 5 years
 - Variable interest rates remain at historically low rates, reducing debt service costs significantly on 30% of outstanding revenue bonds
 - Revenues were higher than predicted in FY13-14 and are also slightly higher than predicted this year



Rate Proposal

Options	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
Outside rate moves to 2.5X the inside rate over 3 years							
INSIDE %	3.00%	3.50%	4.00%	5.50%	5.50%	5.50%	3.50%
INSIDE BILL*	\$35.74	\$37.00	\$38.49	\$40.61	\$42.84	\$45.20	\$46.78
OUTSIDE %	7.50%	7.50%	8.00%	8.00%	7.25%	6.50%	3.50%
OUTSIDE BILL*	\$79.01	\$84.91	\$91.65	\$98.98	\$106.16	\$113.06	\$117.02
Outside/Inside	2.21	2.29	2.38	2.44	2.48	2.50	2.50

5.50% = \$2.12 per month for avg. inside customer

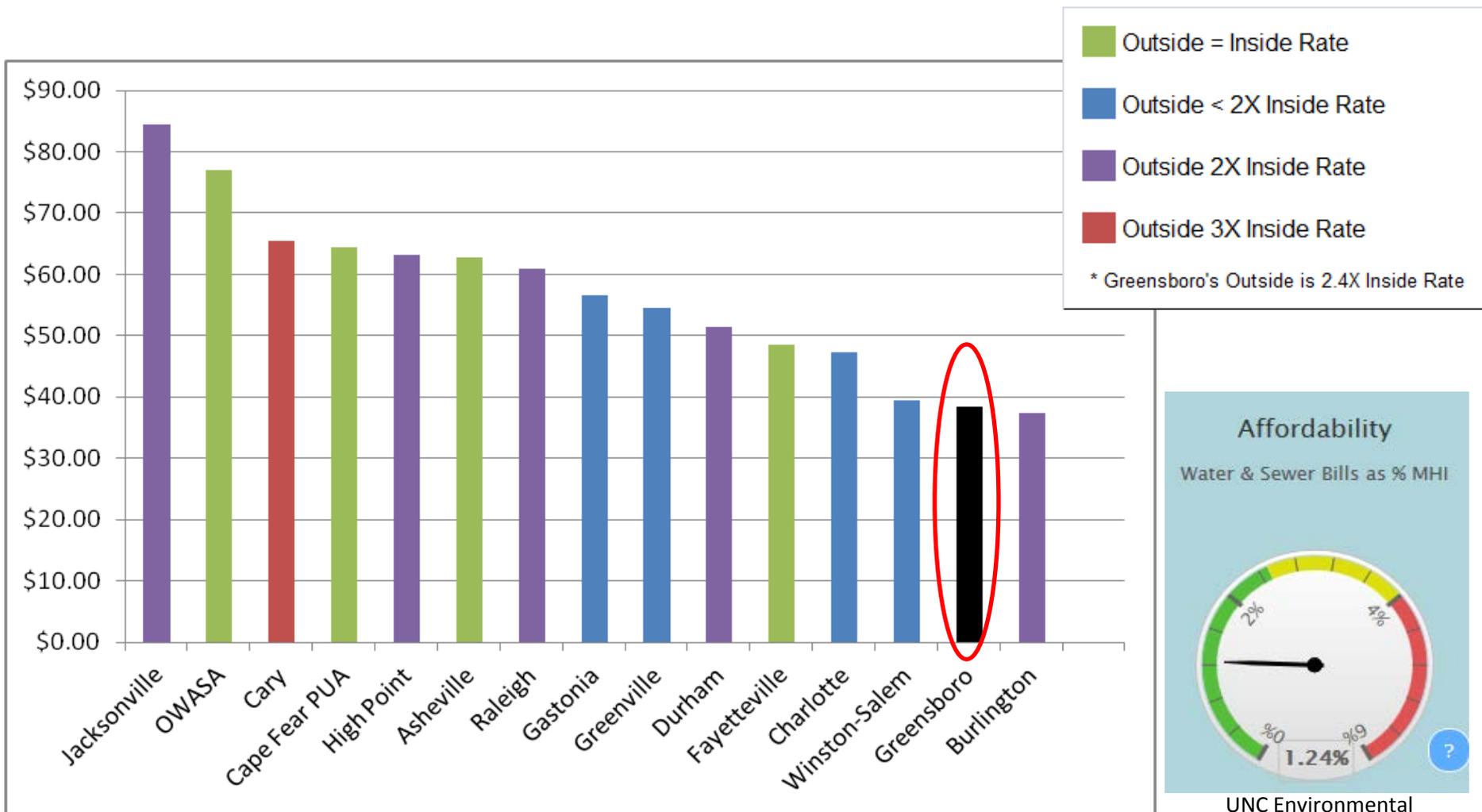
8.00% = \$7.33 per month for avg. outside customer

* Avg. residential bill is calculated at 6 units; 1 unit = 748 gallons



Rate Comparison to Other NC Cities

Rates as of January 1, 2015 (Avg. Residential Customer – 6 units)

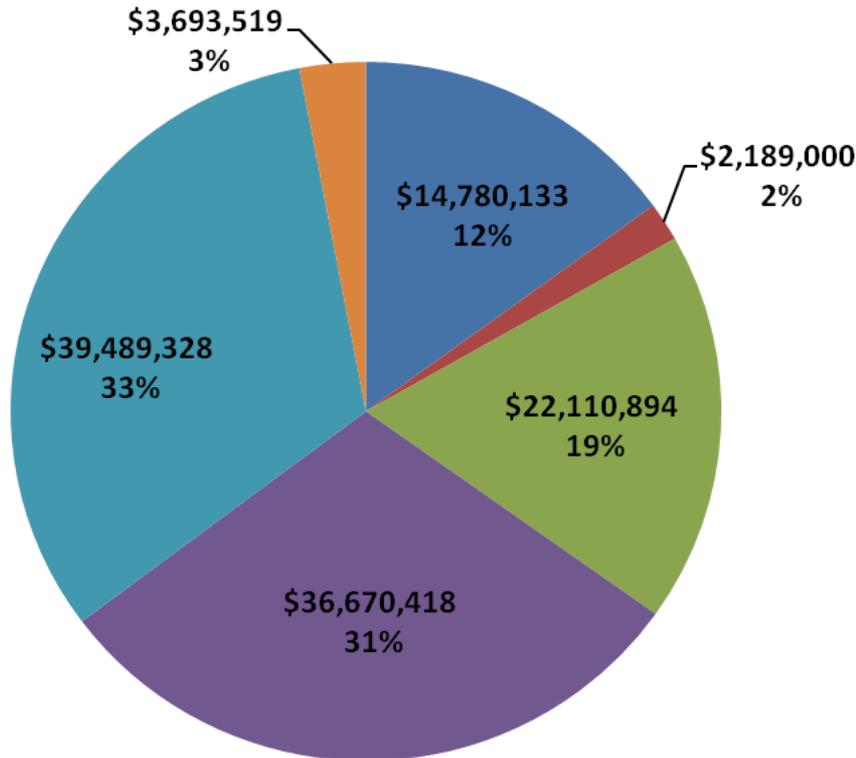


OWASA provides water to Carrboro-Chapel Hill Community; Cape Fear is in Wilmington.



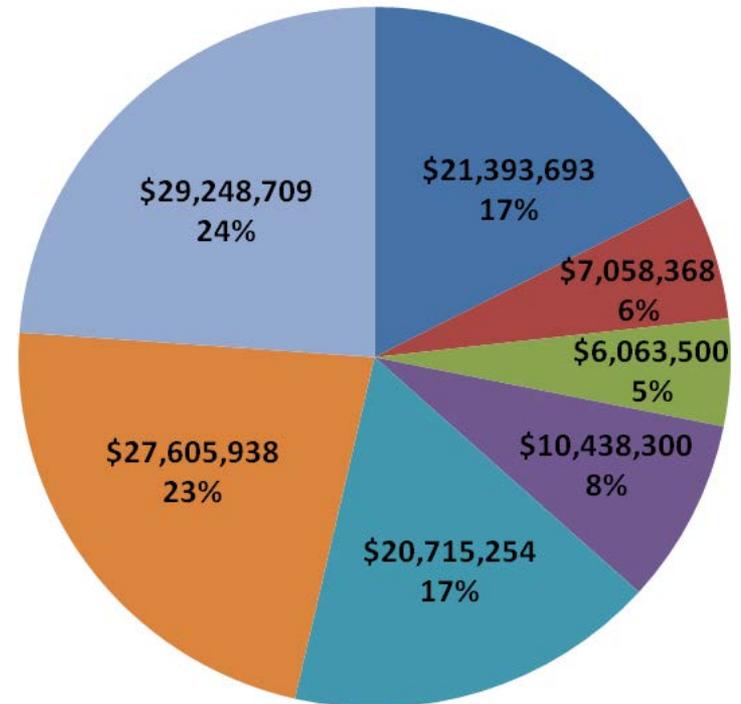
FY 15-16 Recommended: \$122,523,762

Revenues



- Appropriated Fund Balance
- Connection and Capacity Use Fees
- Billing and Availability Fees
- Water Revenue
- Wastewater Revenue
- Other Revenue

Expenses

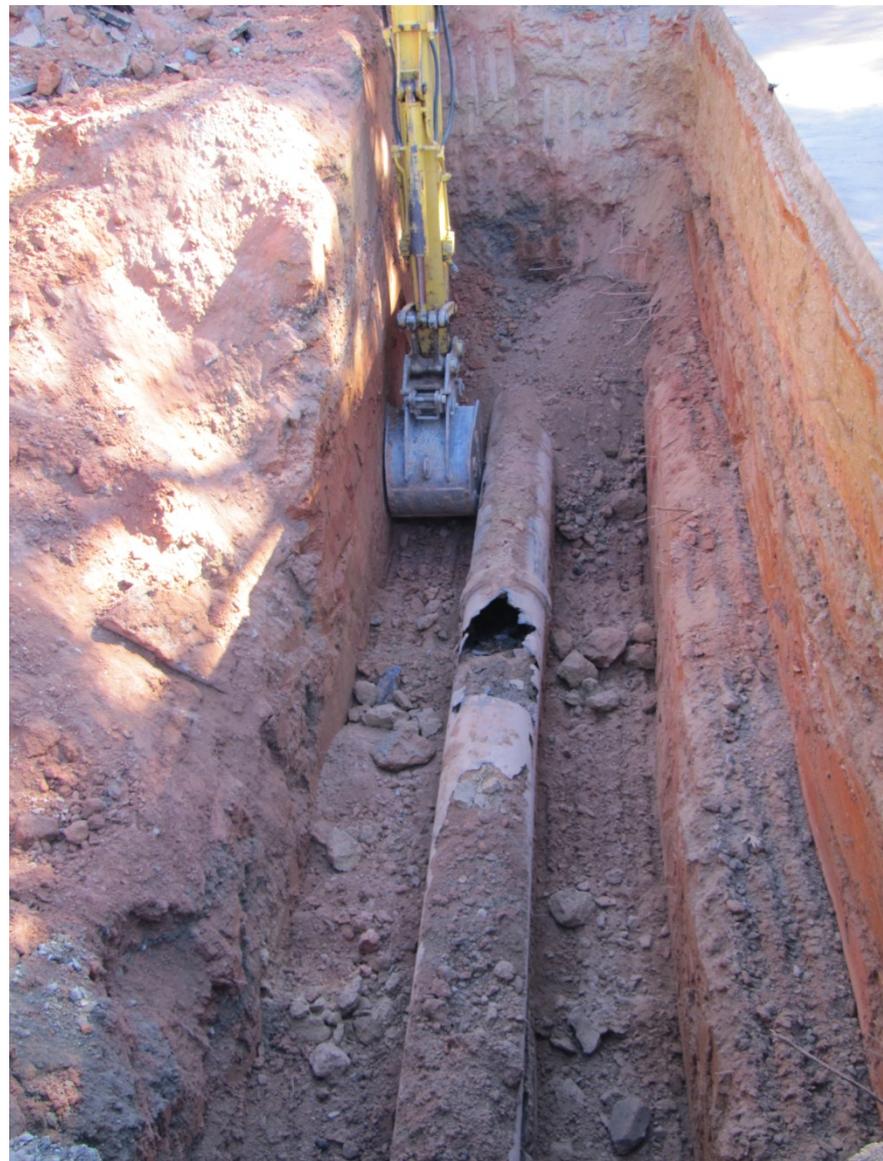


- Salaries & Benefits
- Indirect Cost, Computers, Equipment/Vehicles (to Other Depts.)
- Water Purchases (including Randleman)
- Fuel, Chemicals, Utilities
- Operations, Facility Maintenance and Repairs
- Debt Service
- Capital Improvements/Equipment



Rate Drivers

1. Regulatory
2. Infrastructure Rehab and Replacement
3. Capacity
4. Financial Position

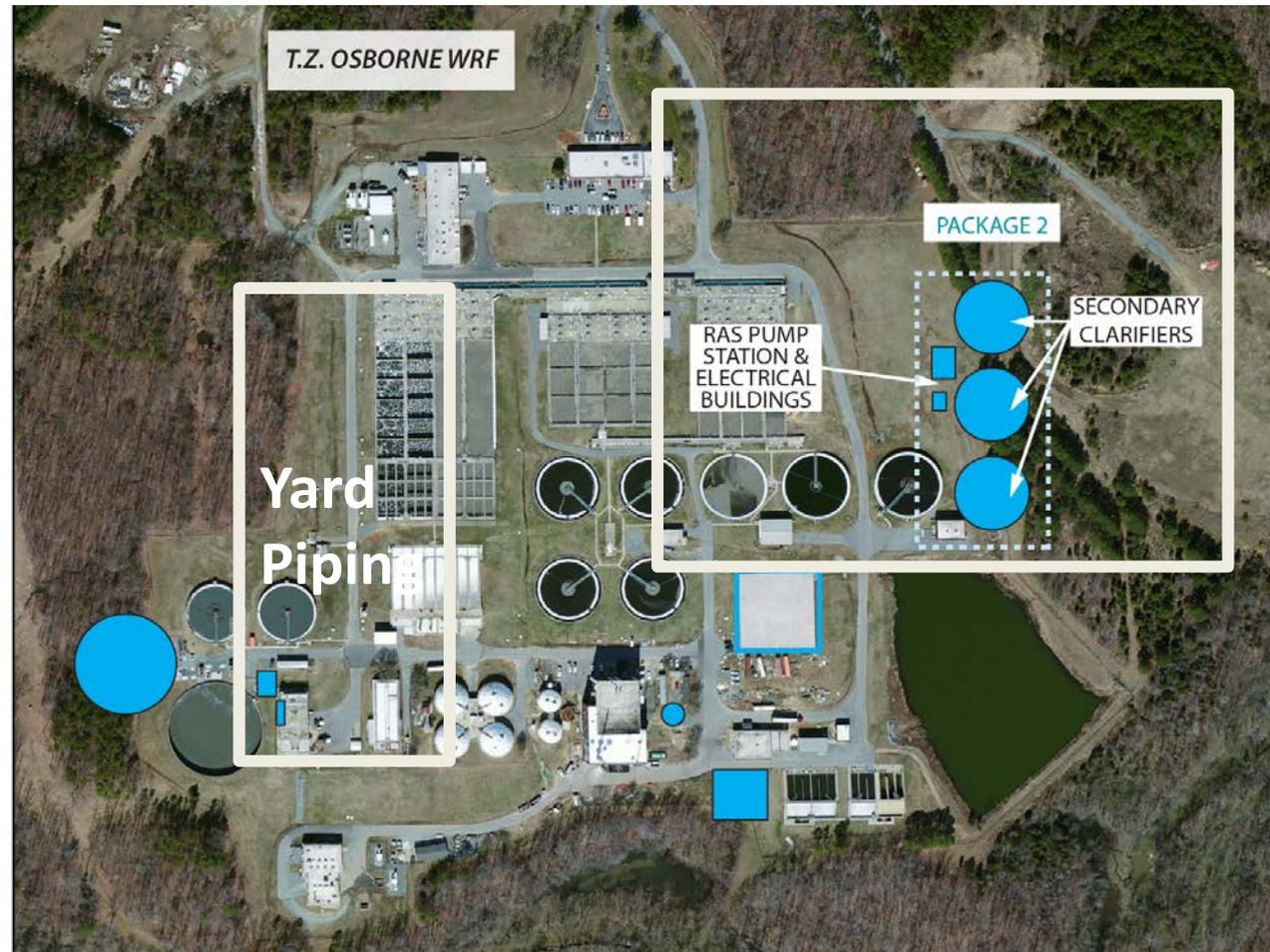




Regulatory

TZO 56 MGD Upgrade/BNR

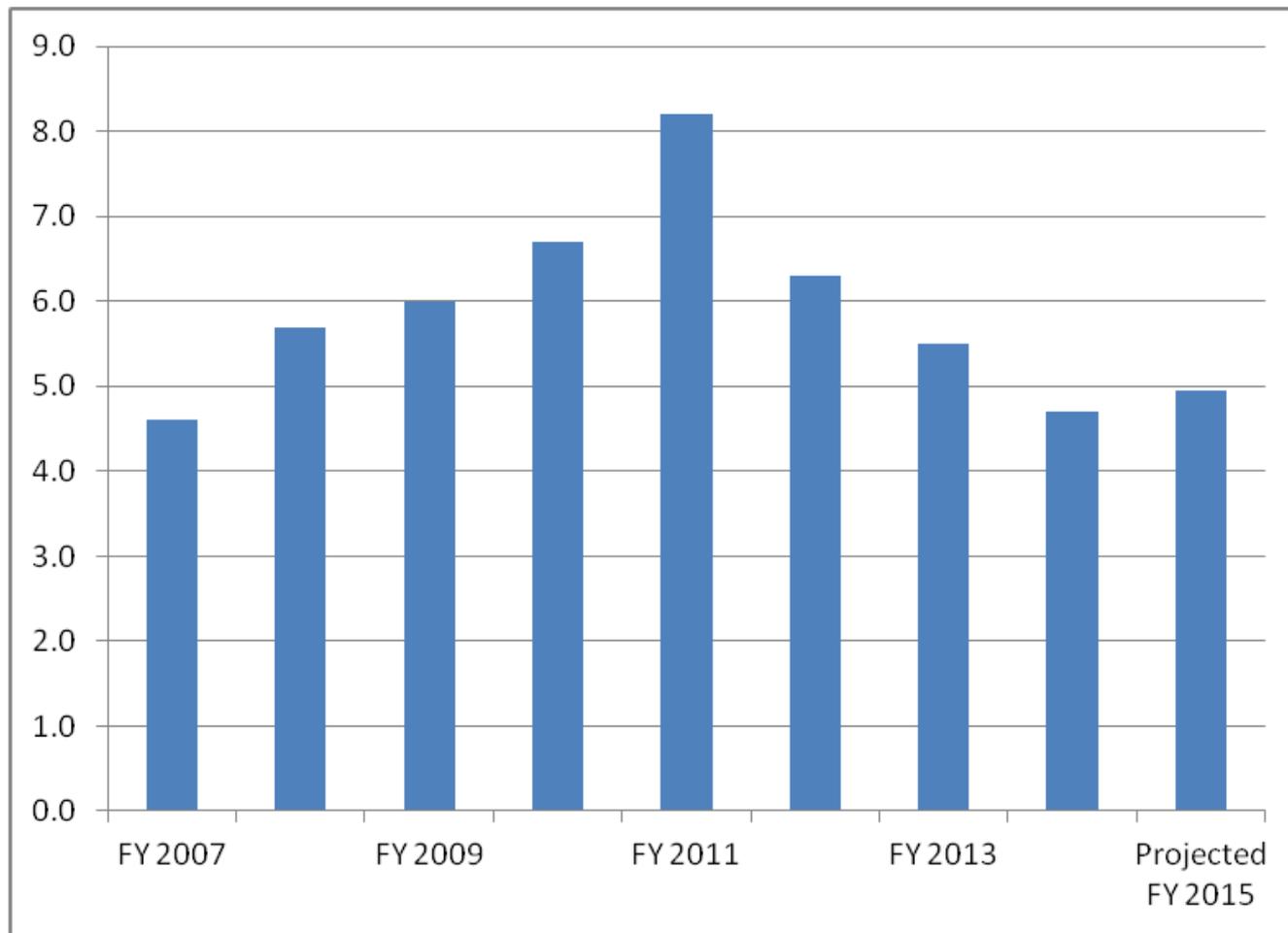
- Jordan Lake Rules Require Reduction of Nitrogen and Phosphorus
- Decommissioning NB
- Pkg 1: \$7.5M
 - Under Construction
- Pkg 2: \$26.6M
 - Under Construction
- Pkg 3: Est. \$27
 - Council Award in Summer 2015
- Pkg 4: Est. \$34
 - Planned in 2017-2018
- Compliance required by 2021





Regulatory/Infrastructure Drivers

Sewer Overflows per 100 Miles of Line



Increased sewer rehab and sewer cleaning efforts are having an impact



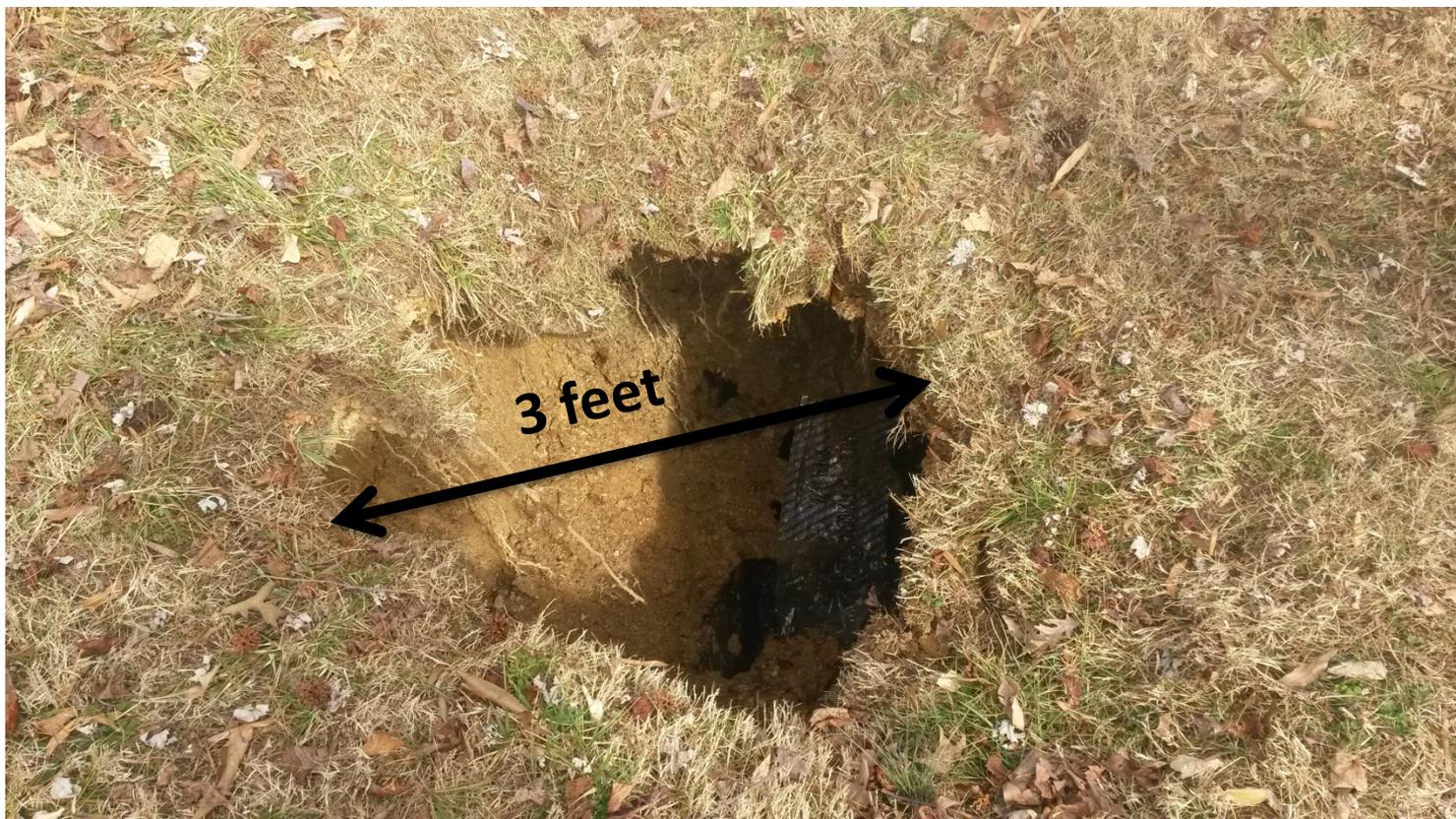


Infrastructure Rate Drivers

0.60% of Lines Rehabbed Annually (182 Yrs)

Goal = 1.0% Rehabbed Annually (100 Yrs) by 2023;

Increasing funding to attain additional 0.05% per year
(will vary based on line size)





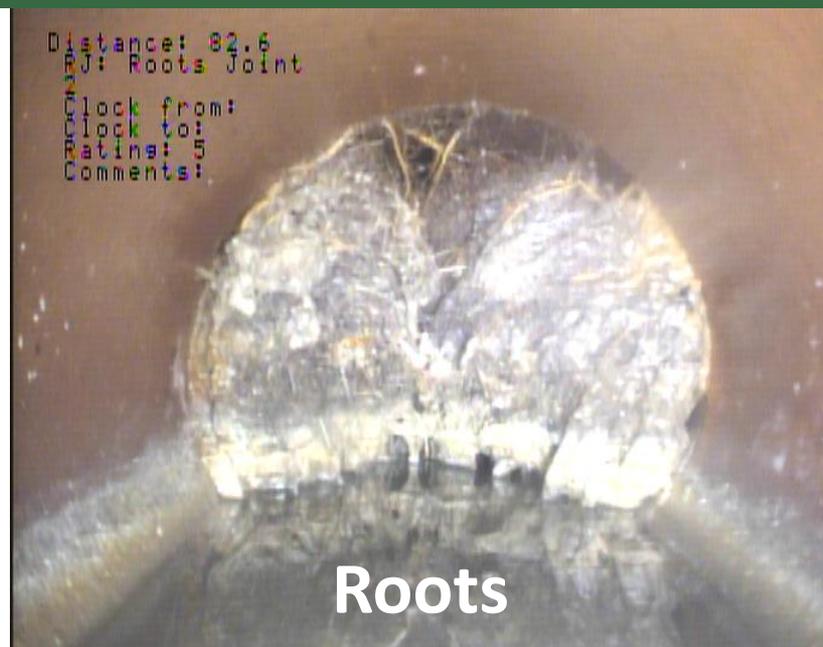
Infrastructure Rate Drivers

Water Line Rehabilitation (Epoxy, Pipe Bursting, Dig and Replace)

1. \$5.2M budgeted in FY15-16, and planned to increase to \$10.4M in 8 years
2. Improved Fire Flow (40% of the City's ISO Rating is based on the water supply)
3. Improved Water Quality

Sewer Line Rehabilitation

1. \$5.2M budgeted in FY15-16, and planned to increase to \$8M in 8 years
2. Stop Infiltration & Inflow
3. Reduce Sewer Backups & Sanitary Sewer Overflows (SSOs)



Roots



Cave-in



Infrastructure Rate Drivers





Water Capacity

Water

- CY 2014 Average Demand: 32.5 MGD (million gallons per day)
- 85% of Safe Yield of City Water Plants and PTRWA (Randleman)
- Unlike many NC cities, Greensboro has the ability to access sufficient water supply for at least the next 40 years. This is made possible by the significant capital investments made in the last 10 years.



Sewer Capacity

Sewer

- CY 2014 Average Flow: 31.3 MGD
- Average Day Capacity is 56 MGD
- Approximately 54% of average day capacity, but challenges are still experienced with some wet weather flows
- A project to add capacity will need to begin in about 10 years based on current projections.
- Ever changing regulatory landscape



Credit Rating Factors

- Financial Strength (based on debt service coverage, cash on hand, operating ratios)
- System Characteristics (size & condition, service area wealth/customer base)
- Management (rate management, regulatory compliance and capital planning)
- Legal Provisions (strength of bond covenants)
- Water Supply
- Local Economy & Future Outlook



Rating Agency Feedback - Moody's

Greensboro's Positive Rating Comments - February 2015

- Moody's affirmed the City's W&S rating of Aa1 (The W&S System is rated AAA by S&P and Fitch)
- Strong management and adherence to conservative fiscal policies
- Strong financial position and affordable debt levels
- Consistently strong financial results and debt service coverage maintained at target of 2 times
- Good long-term capital planning - capacity continues to increase with growth and expansion projects to meet demand
- Below average W&S rates should remain competitive despite planned rate increases



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