

Water & Sewer Fund FY 16-17 Budget



Monday, April 11, 2016

Steve Drew

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 2016 Update

Rate Increase Projections for FY16-17

- Last year's April Budget Briefing predicted a 5.5% increase for inside customers and 7.25% increase for outside customers in FY16-17
- The current rate model calls for a 4.5% increase for inside and outside customers
 - \$128M 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 27% of outstanding revenue bonds
 - Revenues were higher than predicted in FY14-15 and are also slightly higher than predicted this year
 - Expenses are slightly lower than predicted this year



Rate Proposal

Options		FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
	INSIDE %	3.00%	3.50%	4.00%	5.50%	4.50%	4.25%	4.25%
	INSIDE BILL*	\$35.74	\$37.00	\$38.49	\$40.59	\$42.42	\$44.22	\$46.10
	OUTSIDE %	7.50%	7.50%	8.00%	8.00%	4.50%	4.25%	4.25%
	OUTSIDE BILL*	\$79.01	\$84.91	\$91.65	\$99.00	\$103.46	\$107.85	\$112.44
	Outside/Inside	2.21	2.29	2.38	2.44	2.44	2.44	2.44

4.50% = \$1.83 per month for avg. inside customer

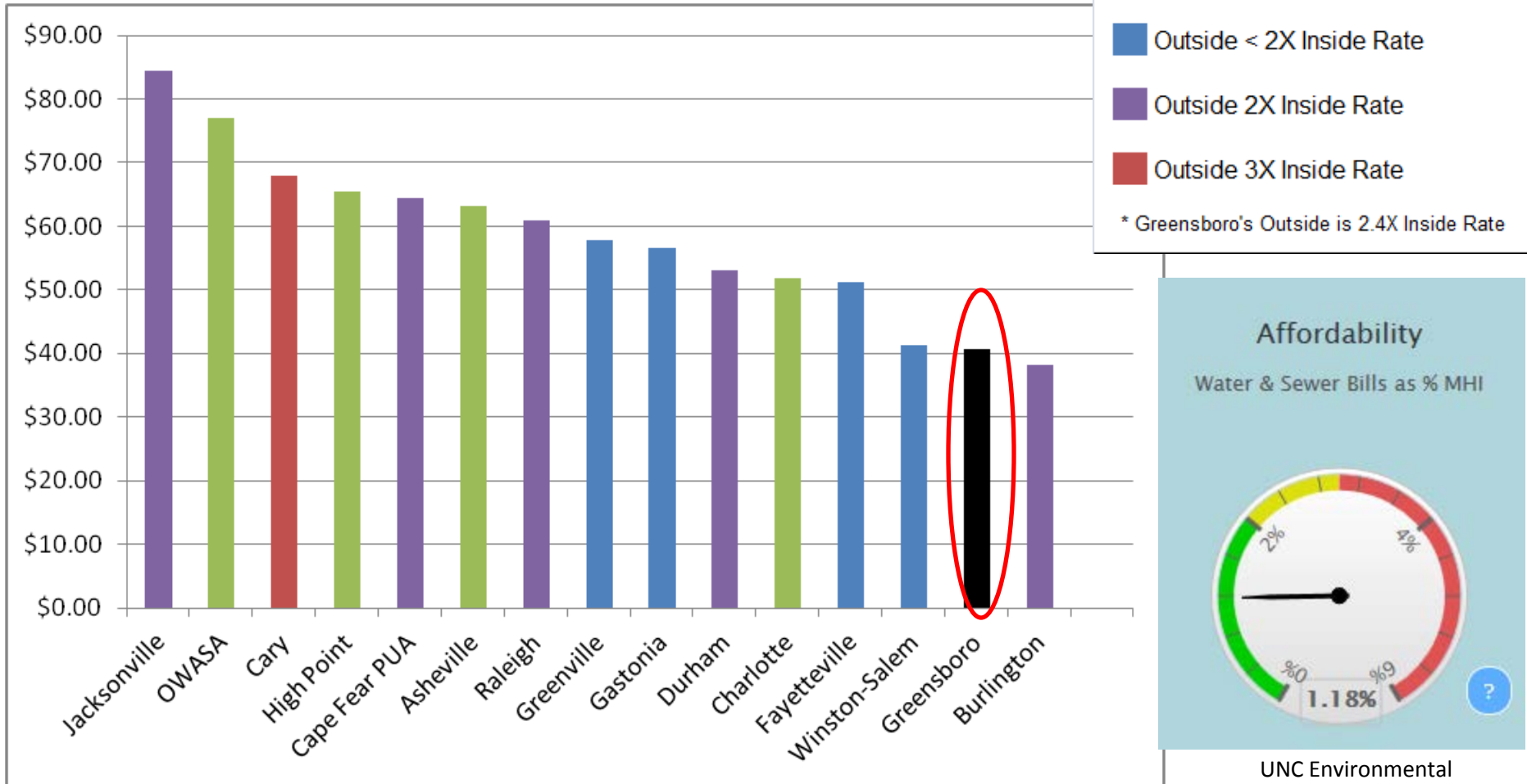
4.50% = \$4.46 per month for avg. outside customer

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

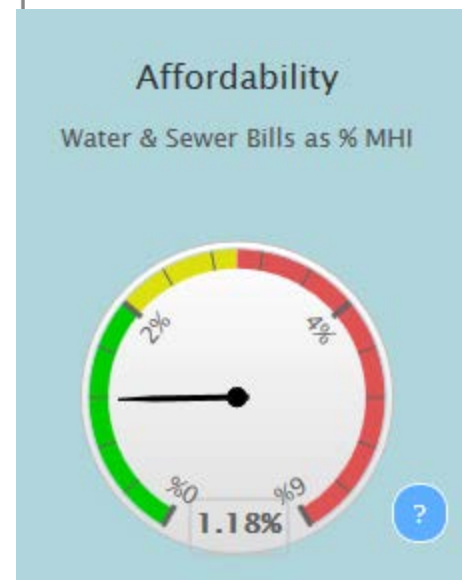


Rate Comparison to Other NC Cities

Rates as of January 1, 2016 (Avg. Residential Customer – 6 units)



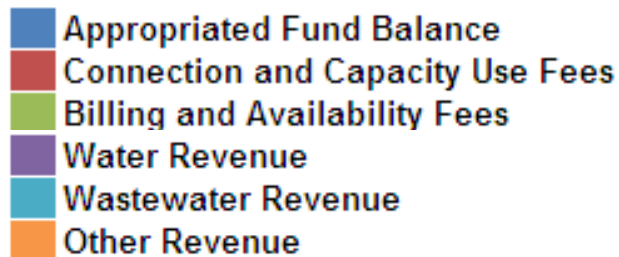
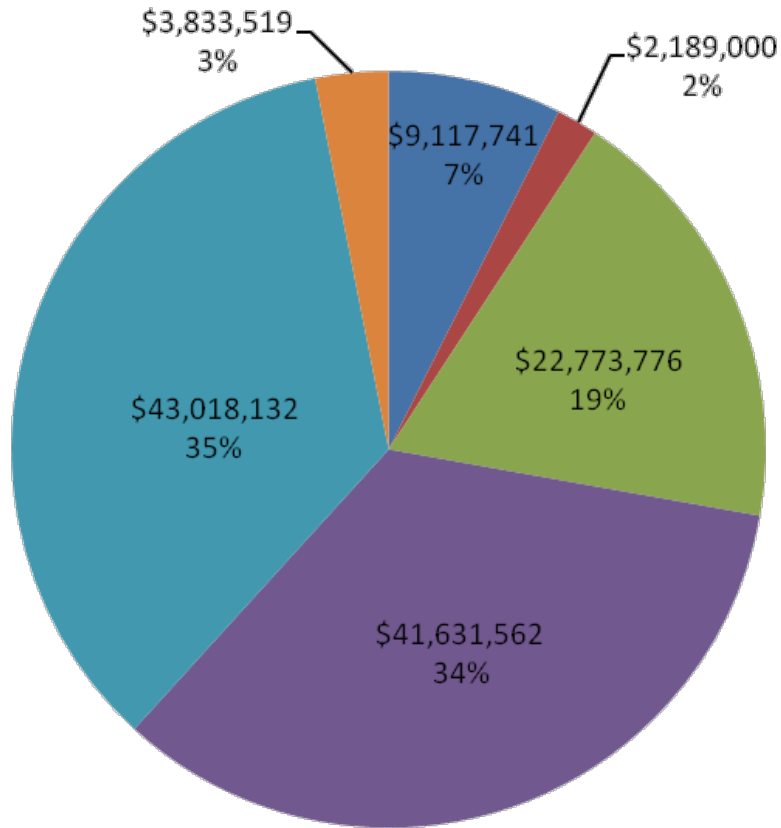
OWASA provides water to Carrboro-Chapel Hill Community; Cape Fear is in Wilmington.



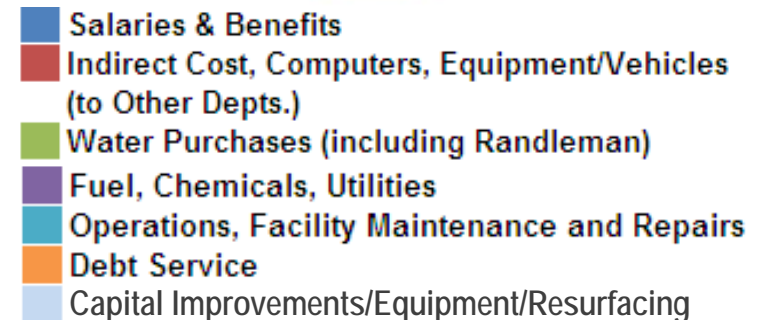
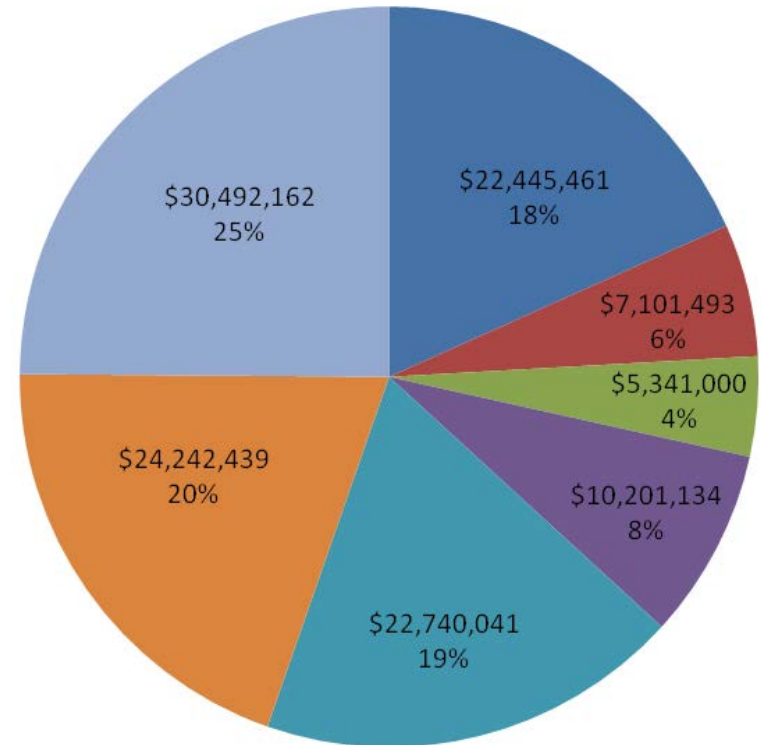
UNC Environmental
Finance Center

FY 16-17 Recommended: \$122,563,730

Revenues



Expenses



Rate Drivers

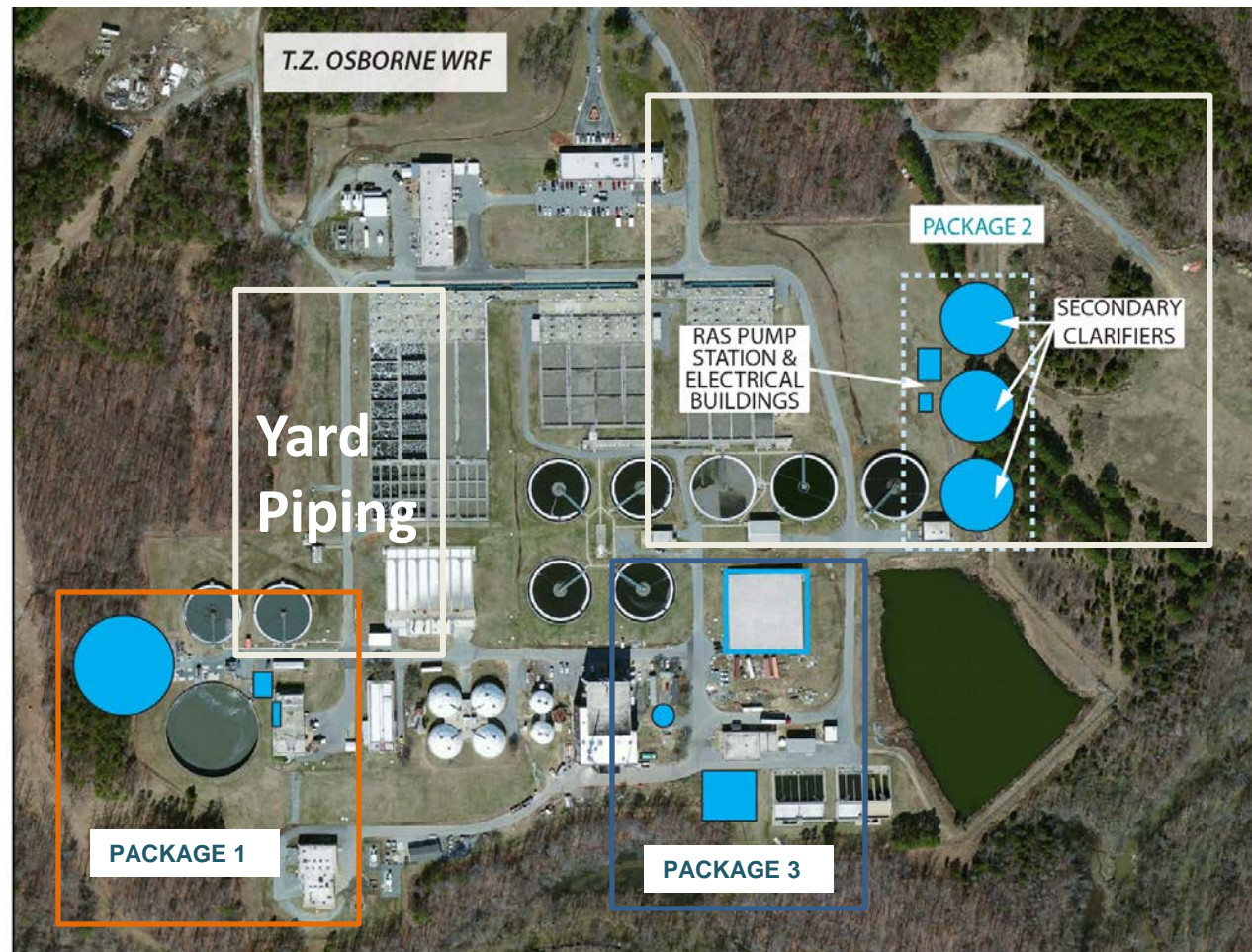


1. Regulatory
2. Infrastructure Rehab and Replacement
3. Capacity
4. Financial Position

Regulatory

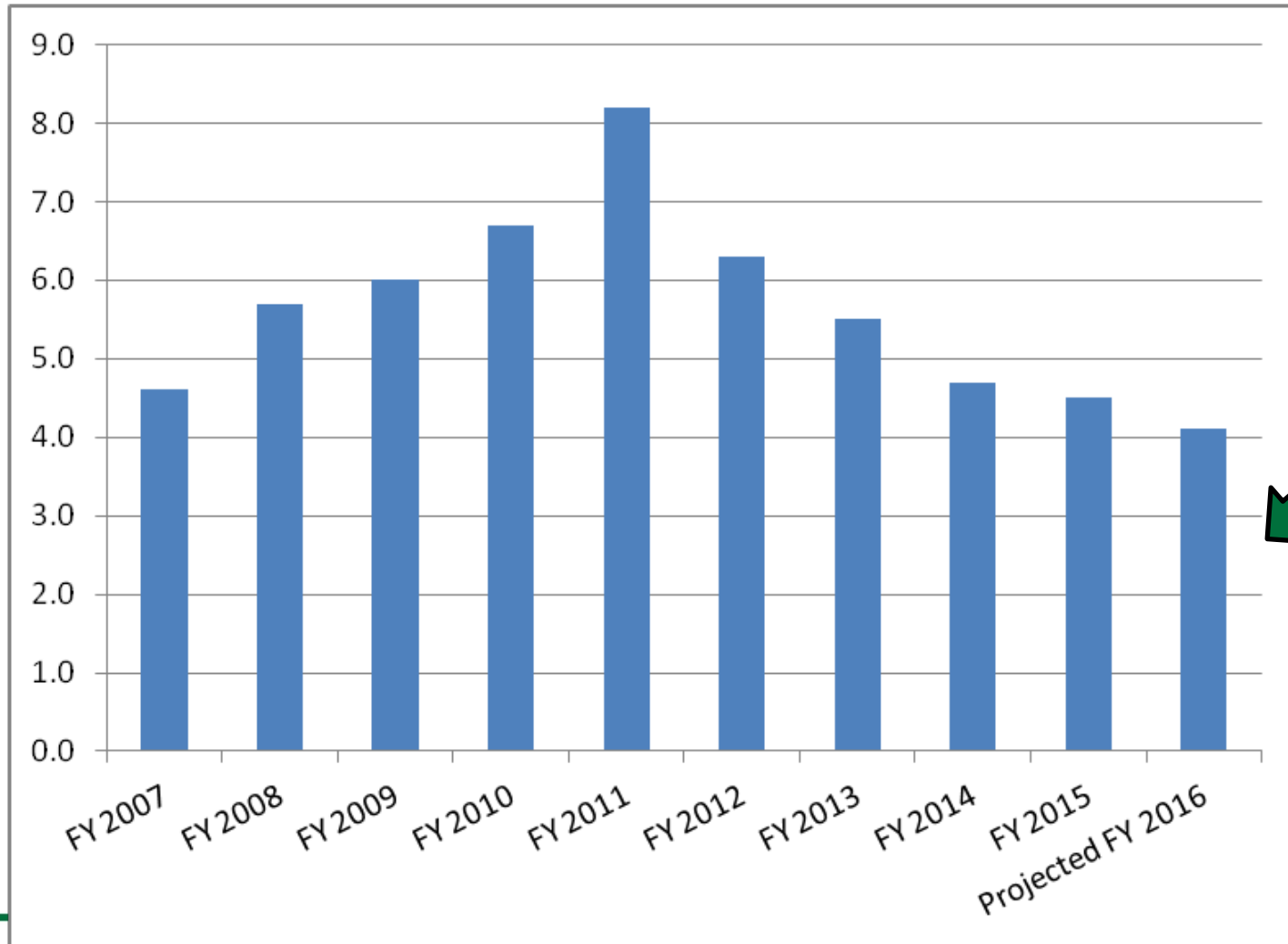
TZO 56 MGD Upgrade/BNR

- Jordan Lake Rules Require Reduction of Nitrogen and Phosphorus
- Decommissioning NB
- Pkg 1: \$7.7M
 - Under Construction
- Pkg 2: \$34.9M
 - Under Construction
- Pkg 3: \$18.3M
 - Under Construction
- Pkg 4: Est. \$44.2
 - Under Design
 - Planned in 2017-2018
- Compliance required by 1/1/2021



Regulatory/Infrastructure Drivers

Sewer Overflows per 100 Miles of Line



**Increased
Sewer
Rehab
Impact**



Infrastructure Rate Drivers



0.79% of Sewer Lines
Rehabbed Annually (126 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)

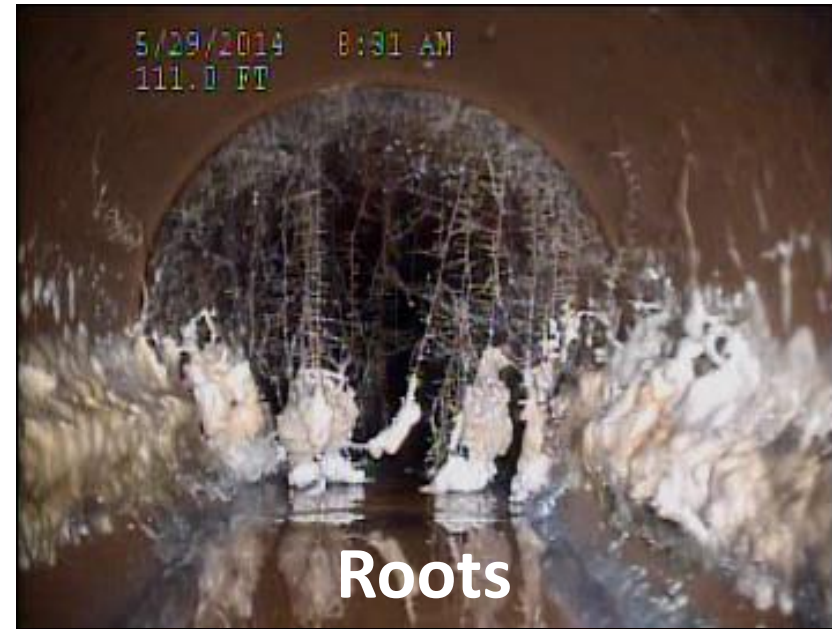
Infrastructure Rate Drivers

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

1. \$5.8M budgeted in FY16-17, and planned to increase to \$10.4M in 7 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. \$5.6M budgeted in FY16-17, and planned to increase to \$8M in 7 years
2. Stop Infiltration & Inflow
3. Reduce Sewer Backups & Sanitary Sewer Overflows (SSOs)



Infrastructure Rate Drivers

Resurfacing

- Study using street impact data and pipe rehab data
- Cooperation with Field Ops
- Allocation of Water and Sewer CIP for Resurfacing:
\$439,451



Infrastructure Rate Drivers



Water Capacity

Water

- CY 2015 Average Demand: 33.1 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 2015 Average Flow: 33.3 MGD
- Average Day Capacity is 56 MGD
- Approximately 59% of average day capacity, but challenges are 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 – Fitch

Greensboro's Positive Rating Comments – December 2015

- Fitch Ratings affirmed the City's W&S rating of AAA (The W&S System is rated AAA by S&P and Aa1 Moody's)
- Strong management and adherence to conservative fiscal policies
- Strong financial position and affordable debt levels, maintenance of debt service target of at least 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
- Stable and diverse economy with signs of growth



Rate Proposal

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