
AGENDA ITEM SUMMARY

Subject: Sewer Rate Review; New Plant Construction

Background Summary:

With the construction of a new sewer plant (Water Resource Recovery Facility) on the horizon, it is time to discuss our sewer rates and what they will need to be to adequately fund the new plant.

Working off of an assumption that the total cost of the plant would be around \$20,500,000 (plant construction, engineering, permitting, land acquisition, financing & legal), and that we would fund around \$1,500,000 from existing sewer funds on hand, leaving us approximately \$19,000,000 that we will need to ultimately borrow from the State Revolving Loan Program.

As we've discussed we are not building this plant because of Simply Essentials, but their usage will play a role. This plant project is something that we've known would be something we'd need to do for a number of years. A combination of age of the plant (not condition), its inability to treat nutrients (nitrogen & phosphorus), added loading demands of Simply Essentials, lack of heavy flow storage (build EQ Basin) and increased demand and cost for hauling away sludge (install reed beds) and community needs for residential housing expansion are all coming together to drive this new plant project and its design.

Based on the information above I've worked with Ron Fiscus from Planscape Partners and Paul Donna from Baird to draft our State Revolving Loan Fund (SRF) application and serve in the role of Financial Advisor, which is a state requirement for SRF. In addition to the SRF loan application, we've also created cashflow analysis to determine what our rates would need to be going forward.

There are three different rate scenarios for loans under SRF: 1.75% loan for 20 year; 2.75% loan for 30 years; or 1.75% loan for 30 years if the community is designated as a "Disadvantaged Community". Through some work and negotiation with the state, we were fortunately able to receive the Disadvantaged Community designation. So, scenarios are all based on the 1.75% rate for 30 years.

Enclosed is one of several cash flow analyses that we looked at. This one is the "middle of the road" assumptions on revenues. Based on this information we are looking to implement a 20% increase to rates to be effective upon a change in ordinance here in FY19. And then continued implementation of the annual 3.5% increase as needed moving forward.

Thankfully the City leaders had the foresight to implement regular annual sewer rate increases over the last ten years knowing that a substantial project was going to be needed. This has allowed the City to build up some cash reserves in the Sewer Department that will reduce the need for a larger increase.

**CITY OF CHARLES CITY
SANITARY SEWER UTILITY
CASH FLOW PROFORMA
5/21/18**

ASSUMPTIONS

Simply Essentials operating at 50%
SRF loan amount: \$17,410,000
Loan term: 1.75% - 30 years
Annual 3.5% rate increase
20% rate increase 7/1/18



	Actual	Actual	Current Budget	Projected	Projected	Projected	Projected
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Residential	\$ 849,031.41	\$ 860,614.18	\$ 900,000	\$ 1,117,800	\$ 1,156,923	\$ 1,197,415	\$ 1,239,325
Commercial	\$ 450,338.22	\$ 475,697.16	\$ 500,000	\$ 621,000	\$ 642,735	\$ 665,231	\$ 688,514
Simply Essentials	\$ -	\$ 146,961.54	\$ 440,000	\$ 546,480	\$ 565,607	\$ 585,403	\$ 605,892
Sales Tax Collections	\$ 26,848.65	\$ 39,133.04	\$ 36,800	\$ 59,417	\$ 61,497	\$ 63,649	\$ 65,877
Interest Income	\$ 28,518.43	\$ 42,697.00	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
Other	\$ 3,228.12	\$ 4,913.86	\$ 313	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
	\$1,357,964.83	\$1,570,016.78	\$ 1,912,113	\$ 2,382,697	\$ 2,464,762	\$ 2,549,698	\$ 2,637,608
WWTP							
Employee cost	\$ 265,415.10	\$ 249,258.94	\$ 261,682	\$ 272,021	\$ 280,182	\$ 351,087	\$ 361,620
Build maint & general operation	\$ 44,185.61	\$ 47,263.22	\$ 51,420	\$ 42,500	\$ 43,775	\$ 45,088	\$ 46,441
Utilities (elec & nat gas)	\$ 62,212.94	\$ 76,746.80	\$ 82,960	\$ 80,000	\$ 169,950	\$ 220,000	\$ 226,600
Chem./Analysis	\$ 9,870.88	\$ 9,209.36	\$ 9,000	\$ 50,000	\$ 174,585	\$ 10,000	\$ 10,300
Sludge Hauling/contract Serv.	\$ 24,896.81	\$ 46,765.04	\$ 56,000	\$ 6,000	\$ 33,475	\$ 34,479	\$ 35,514
Added Reed Bed Clean out	\$ -	\$ -	\$ -	\$ -	\$ 12,360	\$ 12,731	\$ 13,113
Cap Equipment/Imp	\$ 7,336.55	\$ 13,305.25	\$ 59,000	\$ 12,000	\$ 12,360	\$ 12,731	\$ 13,113
Oper. Remain. Misc.	\$ 4,250.59	\$ 4,681.85	\$ 4,100	\$ 2,750	\$ 2,833	\$ 2,917	\$ 3,005
Subtotal	\$418,168.48	\$447,230.46	\$ 524,162	\$ 465,271	\$ 729,519	\$ 689,034	\$ 709,705
Sewer Collection							
Employee cost	\$ 89,421.88	\$ 89,216.84	\$ 106,862	\$ 106,862	\$ 110,068	\$ 116,771	\$ 123,882
Bldg Maint & Operation	\$ 16,305.62	\$ 36,332.04	\$ 20,000	\$ 29,813	\$ 30,707	\$ 32,577	\$ 34,561
Contract Services	\$ 208,704.12	\$ 294,513.71	\$ 363,000	\$ 350,000	\$ 360,500	\$ 382,454	\$ 405,746
Capital Equip.	\$ 1,964.27	\$ 4,582.94	\$ 14,000	\$ 10,000	\$ 10,300	\$ 10,927	\$ 11,593
Sewer collect misc	\$ 7,997.58	\$ 9,455.41	\$ 10,513	\$ 700	\$ 721	\$ 765	\$ 811
Subtotal	\$324,393.47	\$434,100.94	\$ 514,375	\$ 497,375	\$ 512,296	\$ 543,494	\$ 576,593
Admin							
Employee cost	\$ 72,987.03	\$ 73,852.74	\$ 81,613	\$ 104,598	\$ 107,736	\$ 110,968	\$ 114,297
Sales Tax	\$ 27,971.49	\$ 38,768.39	\$ 44,200	\$ 59,417	\$ 61,497	\$ 63,649	\$ 65,877
Admin./Legal/etc	\$ 31,529.18	\$ 17,948.22	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669	\$ 20,259
Debt Service							
03 Sew. Bond Prin.	\$ 148,000.00	\$ 152,000.00	\$ 157,000	\$ 163,000	\$ 168,000	\$ 173,000	\$ 179,000
03 Sew. Bond Int.	\$ 30,320.00	\$ 27,360.00	\$ 24,320	\$ 21,180	\$ 17,920	\$ 14,560	\$ 11,100
SRF UV Loan Prin.	\$ -	\$ 72,000.00	\$ 73,000	\$ 75,000	\$ 76,000	\$ 78,000	\$ 79,000
SRF UV Loan Int.	\$ -	\$ 31,975.32	\$ 33,460	\$ 32,000	\$ 30,500	\$ 28,980	\$ 27,420
NEW 2018 SRF D/S	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 748,418	\$ 748,418
Transfer-out sewer	\$ 121,518.22	\$ 83,651.72	\$ 420,000	\$ 925,000	\$ 715,000	\$ -	\$ -
Subtotal	\$432,325.92	\$497,556.39	\$ 851,593	\$ 1,398,735	\$ 1,195,749	\$ 1,237,244	\$ 1,245,371
Total Expenses	\$1,174,887.87	\$1,378,887.79	\$ 1,890,130	\$ 2,361,381	\$ 2,437,564	\$ 2,469,772	\$ 2,531,669
Surplus (Deficit)	183,076.96	191,128.99	\$ 21,983	\$ 21,316	\$ 27,198	\$ 79,926	\$ 105,939