

CAPITAL REGION WATER

Water and Sewer Rate Presentation

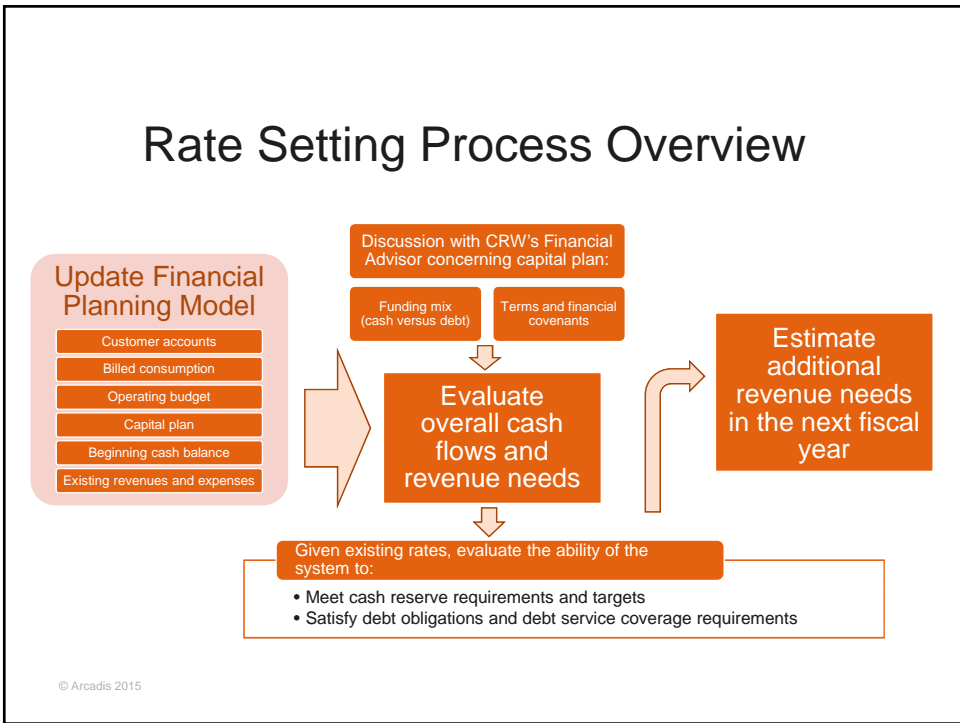
November 4, 2015

Outline

1. Overview of the Rate Modeling Process
2. Rate Increase Drivers
3. Projected 2016 Rates
4. Historical and Current Water and Sewer Rates
5. Rate Comparisons

ARCADIS | Design & Consultancy
for natural and built assets

Water Rates



Rate Increase Drivers

1. Debt Service Coverage
2. Maximum Debt Service Coverage
3. Cash Reserve Target

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Water Rate Increase Drivers

1. Debt Service Coverage Ratio

$$= \frac{\text{Revenues} - \text{Operating Expense}}{\text{Debt Service}}$$

= 1.10 (requirement), 1.25 (plan)

Example:

Rate Revenue =	\$18,600,000
Other Revenue =	900,000
Operating Expenses =	<u>(8,400,000)</u>
Net Revenues =	\$11,100,000

Debt Service = 10,800,000

DS Coverage = \$11.1M / 10.8M = 1.03

Need Revenues of \$20.3M to achieve 1.10 coverage

DS Coverage = (\$20.3M - 8.4M) / 10.8M = 1.10

Rate Increase = (\$20.3-0.9) / 18.6 = 4.3%

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Water Rate Increase Drivers

2. Maximum Annual Debt Service Coverage Ratio (Applies in 2016 Only)

$$= \frac{\text{Revenues} - \text{Operating Expense}}{\text{Maximum Annual Debt Service}}$$

= 1.10 (requirement), 1.10 (plan)

Example:

Rate Revenue =	\$18,600,000
Other Revenue =	900,000
Operating Expenses =	<u>(8,400,000)</u>
Net Revenues =	\$11,100,000

Maximum Annual DS = \$11,700,000 (DS in 2022)
 DS Coverage = \$11.1M / 11.7M = 0.95

Need Revenues of \$21.3M to achieve 1.10 maximum DS coverage
 Max DS Coverage = (\$21.3M - 8.4M) / 11.7M = 1.10
 Rate Increase = (\$21.3M - 0.9M) / \$18.6M = 9.7%

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Water Rate Increase Drivers

3. Cash Reserve Target

- Management Target = 200 days of cash
- Management Target (2016) = \$4,600,000
- Beginning Cash (2016) = \$12,100,000

Example (2016):

Beginning Cash =	\$12,100,000
Revenues =	21,300,000
Expenses =	<u>(23,200,000)</u>
Use of Reserves =	<u>(1,900,000)</u>
Ending Cash =	\$10,200,000

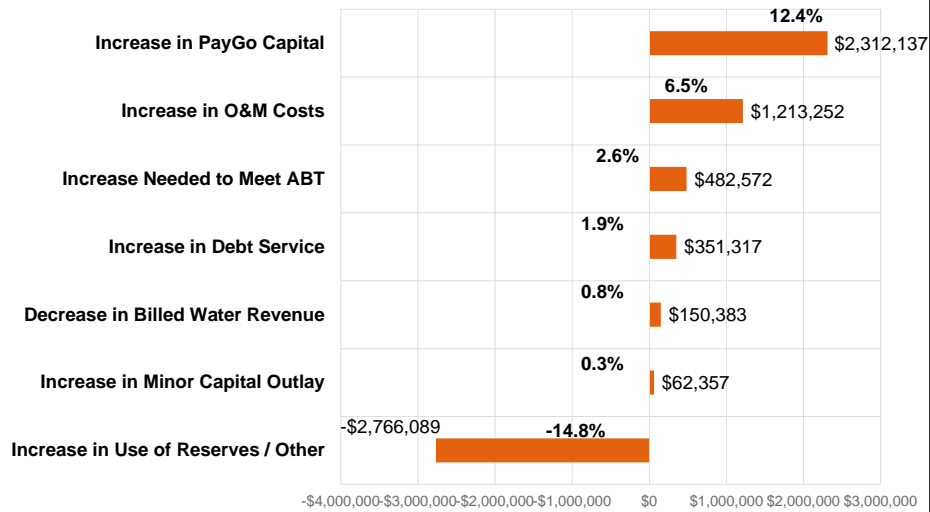
Rate Increase to Meet Cash Target = 0%

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2016 Water Rate Increase Drivers

Rate increase = 9.7%

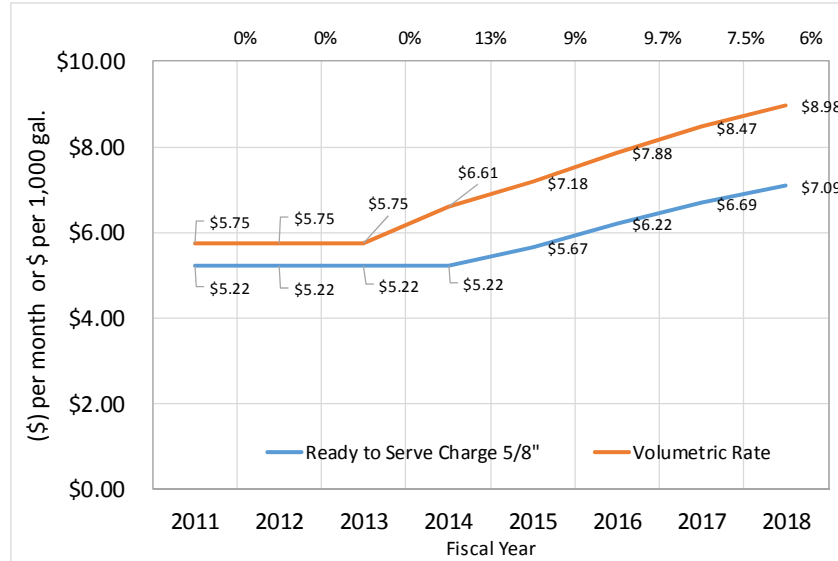
FY2016 Rate Increase Component



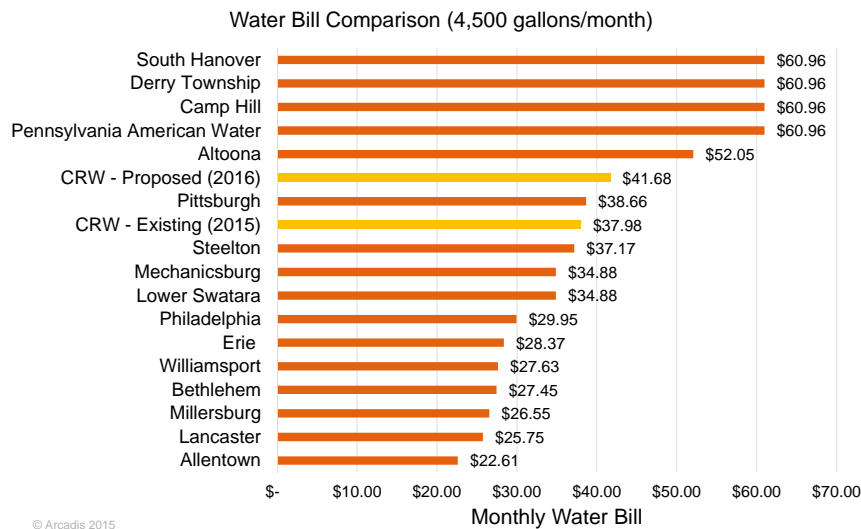
Historical and Projected Water Rates

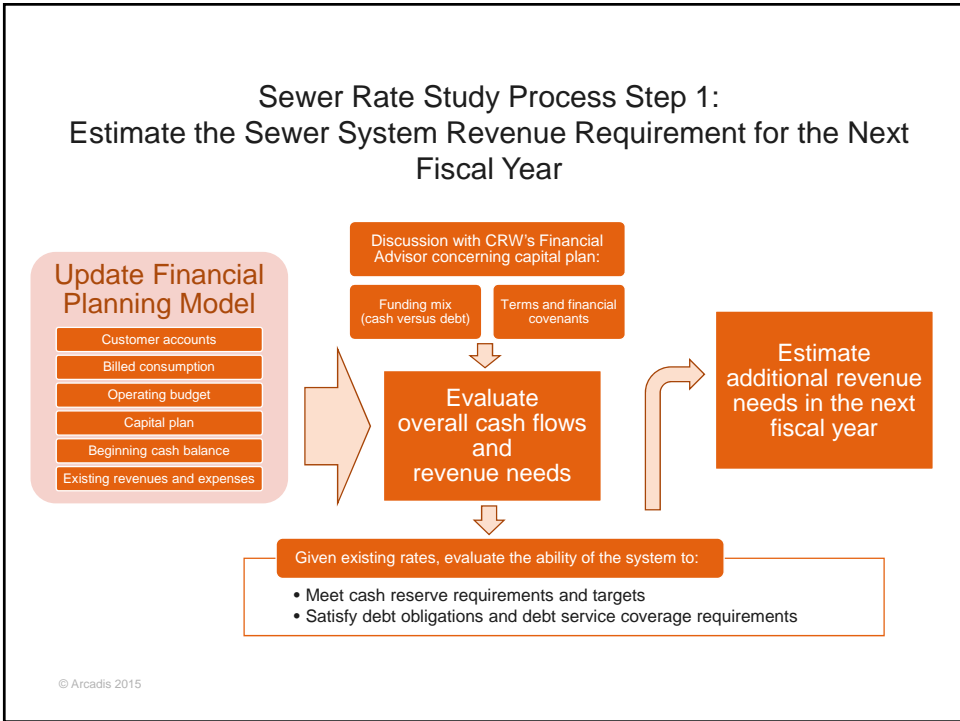
Description	2012	2013	2014	2015	2016	2017	2018
Rate Increase (%)		0.0%	13.0%	9.0%	9.7%	7.5%	6.0%
Ready to Serve							
5/8"	\$5.22	\$5.22	\$5.22	\$5.67	\$6.22	\$6.69	\$7.09
Volume Charge:							
All customers	\$5.75	\$5.75	\$6.61	\$7.18	\$7.88	\$8.47	\$8.98
Residential (4,500 gal)	\$31.10	\$31.10	\$34.97	\$37.98	\$41.66	\$44.79	\$47.48
\$ change / Month		\$0.00	\$3.87	\$3.02	\$3.68	\$3.12	\$2.69

Historical and Projected Water Rates

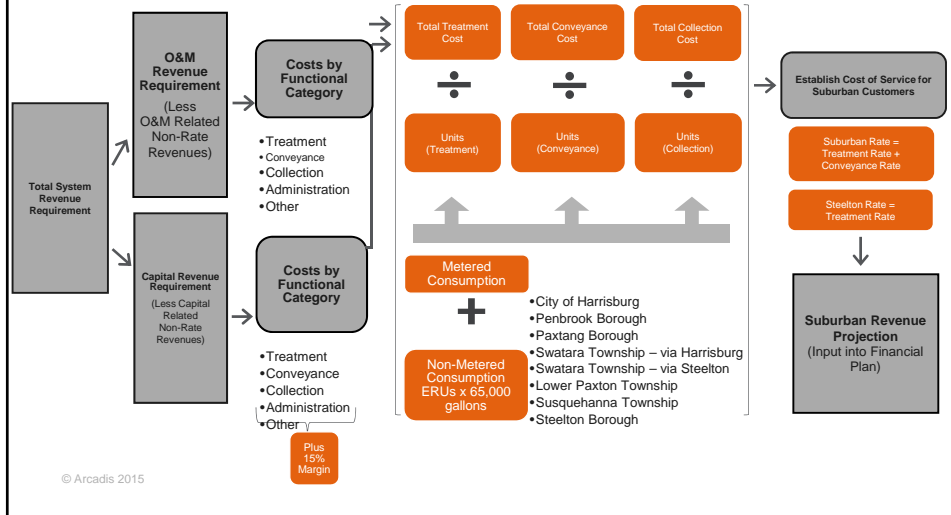


Water Rate Comparison

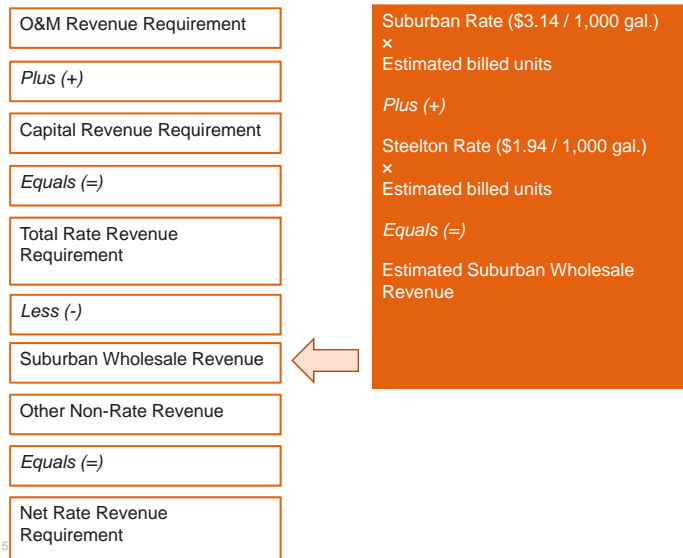




Sewer Rate Study Process Step 2: Determine Suburban Cost Responsibility



Rate Study Process Step 3: Determine City Retail Revenue Requirement and Rates

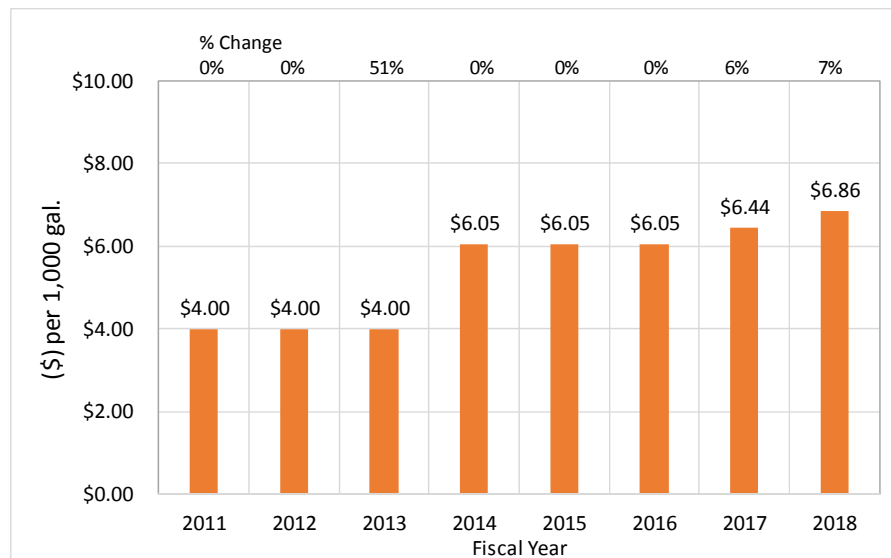


Historical and Projected Sewer Rates

Description	2013	2014	2015	2016	2017	2018
Retail Rate	\$4.00	\$6.05	\$6.05	\$6.05	\$6.44	\$6.86
% Change		51.3%	0.0%	0.0%	6.5%	6.5%
Average Monthly Bill	\$18.00	\$27.23	\$27.23	\$27.23	\$28.99	\$30.88
\$ Change		\$9.23	\$0.00	\$0.00	\$1.77	\$1.88
Suburban Rate	\$2.86	\$3.00	\$3.14	\$3.28	TBD	TBD
Steelton Rate	\$2.34	\$2.11	\$1.94	\$2.03	TBD	TBD

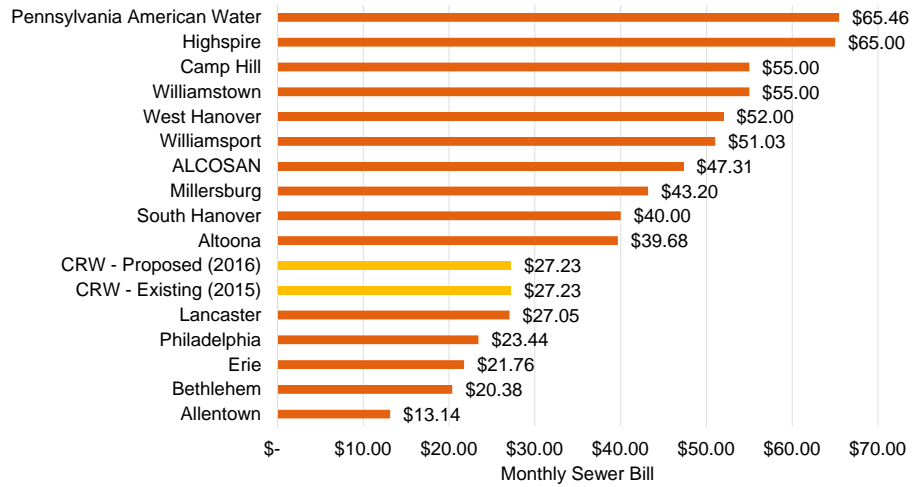
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Historical and Projected City Sewer Rates



Sewer Bill Comparison

Sewer Bill Comparison (4,500 gallons/month)



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