#### Capital Region Water Proposed 2019 Budget and Rates

November 20, 2018





- Successes to Date and Challenges Ahead
- Budget and Rate Setting Process
- Proposed 2019 Budgets and Rates
- Questions and Comments









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# Budget and Rate Setting Process



#### August

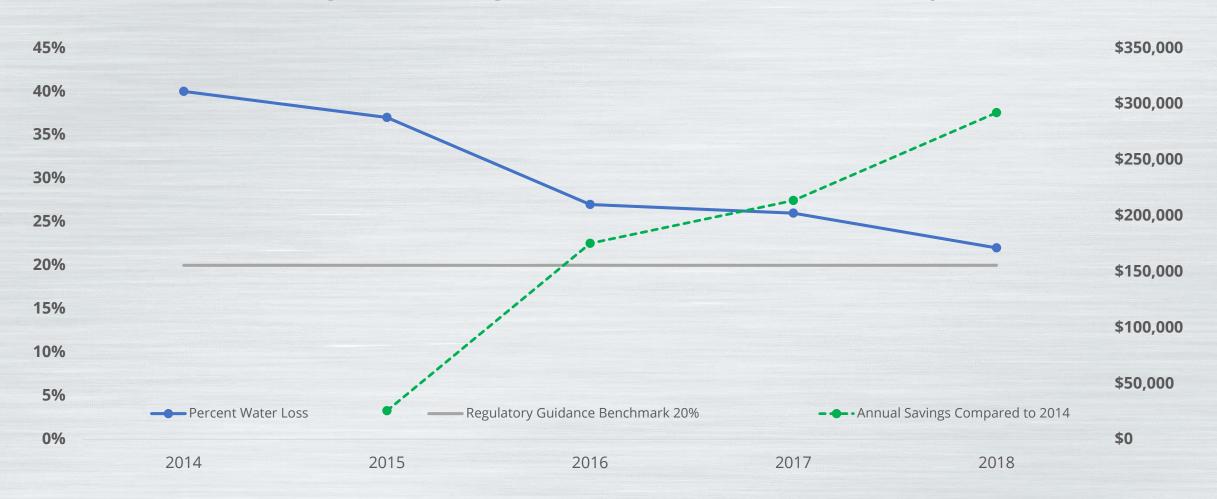
Finance **Budget Budget Rate Study** Committee Planning Forecasting **Presentation November 28** Finance **Public Board** Committee Hearing Adoption Presentation



# Drinking Water Budget



**Reducing Costs Through Proactive Leak Detection and Repairs** 



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## Proposed 2019 Drinking Water Budget

Operating Expenses	FY19 Proposed Budget	FY18 Adopted Budget	FY18 Estimated Actuals	Variance FY19 Budget to FY18 Budget	Variance FY19 Budget to FY18 Est. Actual
Personnel	\$3,230,378	\$3,216,959	\$3,006,357	\$13,419 0%	\$224,021 7%
Operating Expenses	\$2,694,319	\$2,207,981	\$2,049,338	\$486,338 22%	\$644,981 31%
Indirect/Professional Fee	\$492,695	\$616,649	\$441,469	(\$123,954) -20%	\$51,226 12%
Administrative Fee	\$3,175,648	\$3,010,240	\$2,803,559	\$165,408 5%	\$372,089 13%
Debt Service	\$10,800,883	\$10,776,271	\$10,199,116	\$24,612 0%	\$601,767 6%
Total Operating Expense	\$20,393,923	\$19,828,100	\$18,499,839	\$565,823 3%	\$1,894,084 10%



## Drinking Water Capital Improvement Program







### Drinking Water Capital Improvement 5 Year Plan

Project Description	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
DeHart Evaluation	\$ 1,533,333	\$ 770,000	\$ -	\$ -	\$ -
DeHart Dam Spillway Improvements	_	-	\$ 9,500,000	\$ 9,500,000	\$ 9,500,000
Mountain Line Cleaning	\$ 504,225	\$ 400,000	-	-	
WSC Emergency Generator	\$ 500,000	-	-	-	-
WSC Filter Media Replacement	\$ 400,170	-	-		
Chlorine Scrubber	\$ 493,688	-	-		-
Liquid Fluoride Chemical Feed	\$ 258,160	-	-	_	-
Water Main Replacement	\$ 1,265,658	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Cameron Street Water Main	\$ 2,123,700	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Water Main Assessment	_	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Equipment Garage	-	-	\$ 400,000	-	-
Large Service Water Meter Replacement		\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Total	\$ 7,078,934	\$ 4,420,000	\$13,150,000	\$12,750,000	\$12,750,000



## Proposed 2019 Drinking Water Capital Budget

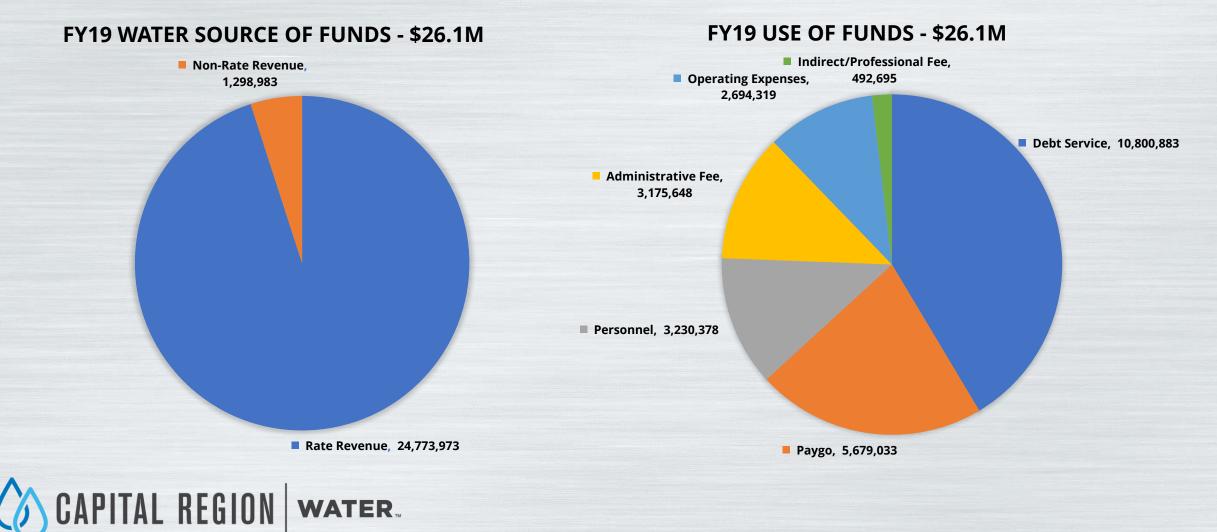
Capital Expenses	FY19 Proposed Budget		FY18 Adopted Budget		FY18 Estimated Actuals		Variance FY19 Budget to FY18 Budget			Variance FY19 Budget to FY18 Est. Actual	
Capital Improvement	\$	7,078,933	\$	8,449,610	\$	5,100,947	\$ (1,370,	677) -16	%	\$ 1,977,986	39%
Capital - Operations		1,414,000		417,190		213,041	996	,810 239	%	1,200,959	564%
Total Capital Expense	\$	8,492,933	\$8	3,866,800	\$5	,313,988	\$(373,8	867) -4	% \$3	,178,945	60%



# Drinking Water Budget Sources and Uses



## 2019 Drinking Water Operating Budget



## 2019 Drinking Water Capital Budget

#### FY19 WATER CAPITAL BUDGET SOURCE OF FUNDS - \$8.5M

Grants, 200,000

Cash Reserves, 2,613,900

2019 Revenues, 5,679,033



#### FY19 WATER CAPITAL BUDGET USE OF FUNDS - \$8.5M

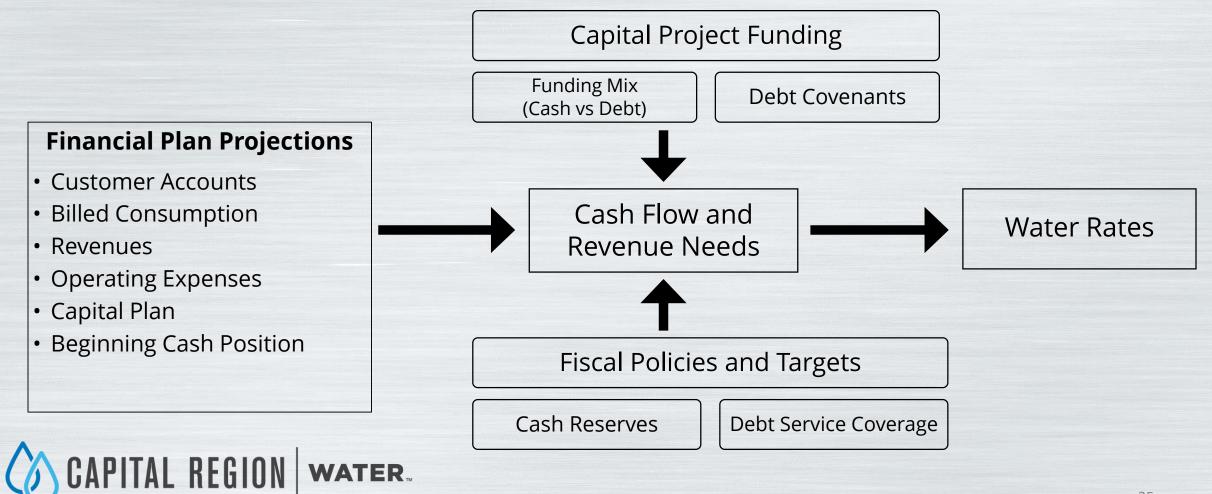
Capital - Operations, 1,414,000

> Capital Improvement, 7,078,933

# Proposed 2019 Drinking Water Rates



#### Drinking Water Rate Calculation Process



## Proposed 2019 Drinking Water Rates

Description	Existing FY 2018	Percent Change		
Volume				
All Customers	\$9.46	2.0%		
F				
5/8"	\$7.47	\$7.62	2.0%	
3/4"	\$16.18	\$16.50	2.0%	
1″	\$32.45	\$33.10	2.0%	
1-1/2"	\$69.52	\$70.91	2.0%	
2"	\$127.45	\$130.00	2.0%	
3"	\$356.27	\$363.40	2.0%	
4"	\$637.23	\$649.97	2.0%	
6"	\$1,720	\$1,754	2.0%	

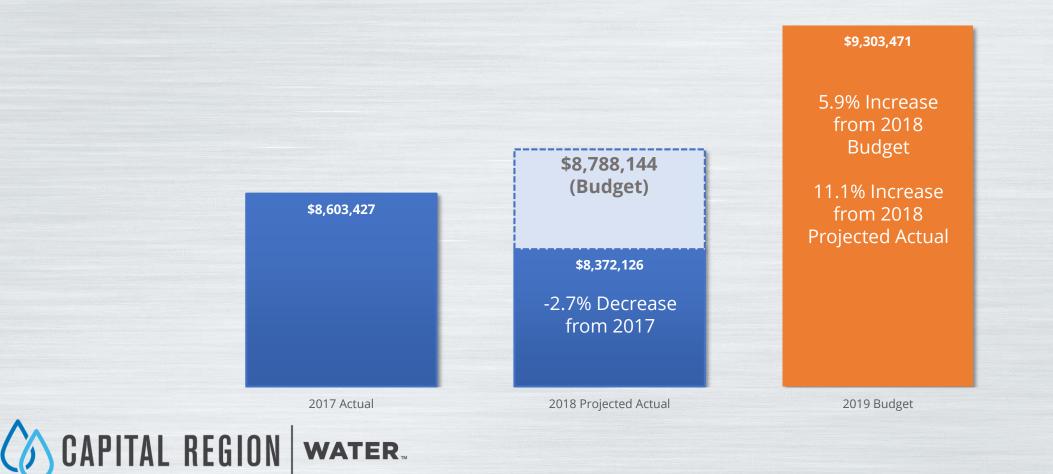


### Drinking Water Rate Increase Drivers

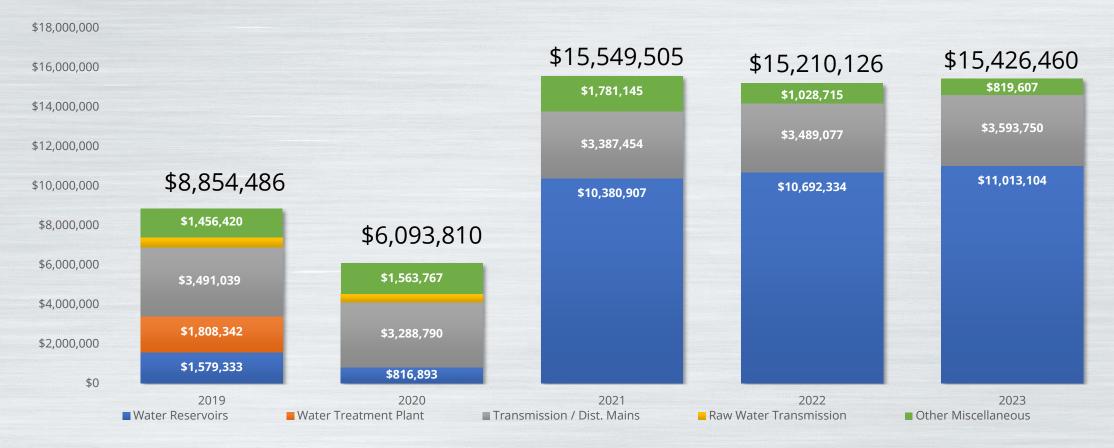
- Operating Expense Budget for FY 2019
- Capital Project Needs
- Debt Service
- Cash Reserves Target



#### 1. Operating Expenses Water Rate Increase Drivers



#### 2. Capital Project Needs Water Rate Increase Drivers





#### 2. Capital Project Funding Sources Water Rate Increase Drivers



30

## 3. Debt Service

Water Rate Increase Drivers

#### **Debt Service Coverage**

Management Target Minimum (Senior) 1.45

Trust Indenture Minimum Requirement

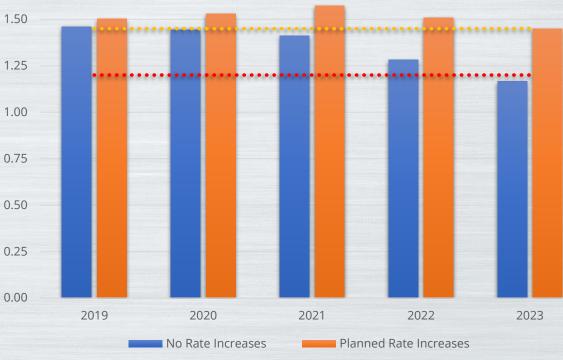
(Senior) 1.20

Debt Service Coverage =

**Operating Revenues – Operating Expenses** 

Total Annual Debt Service

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1.75

••••• Indenture Requirement ••••• Management Target

## 4. Cash Reserve Target

Water Rate Increase Drivers

#### Management Target Minimum -200 days

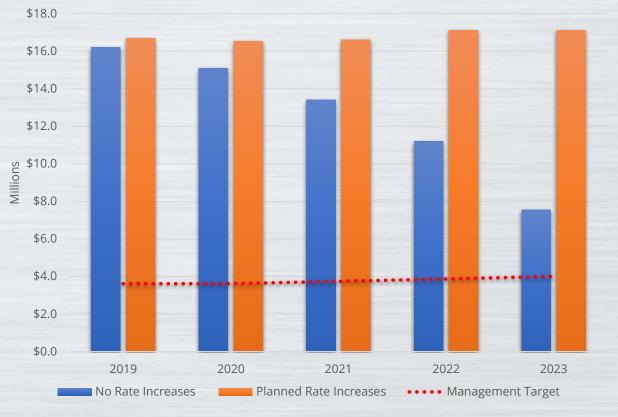
**Operating Reserve Minimum (Trust Indenture)** 

-60 days

Additional Management Target Minimum

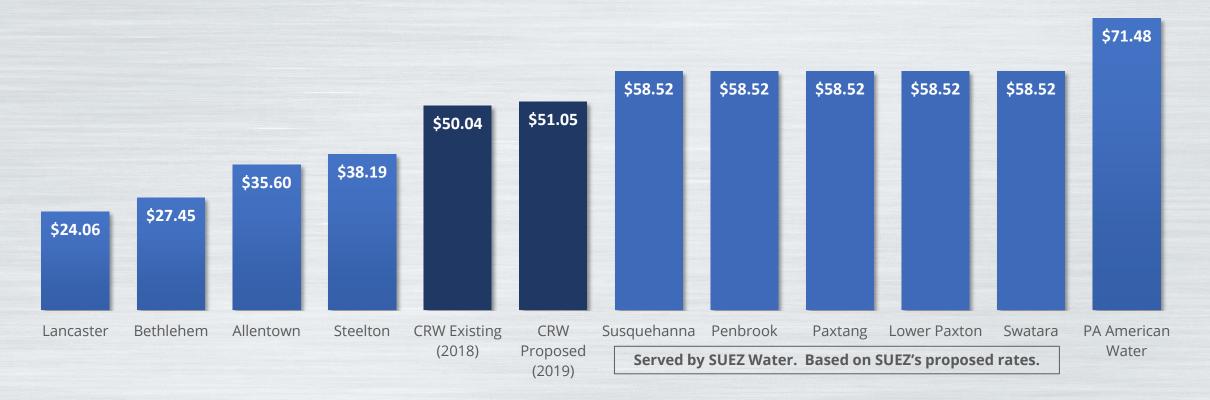
-140 days

\*Includes Operating Account, Operating Reserve Account, Contingency Account, and Renewal and Replacement Fund.



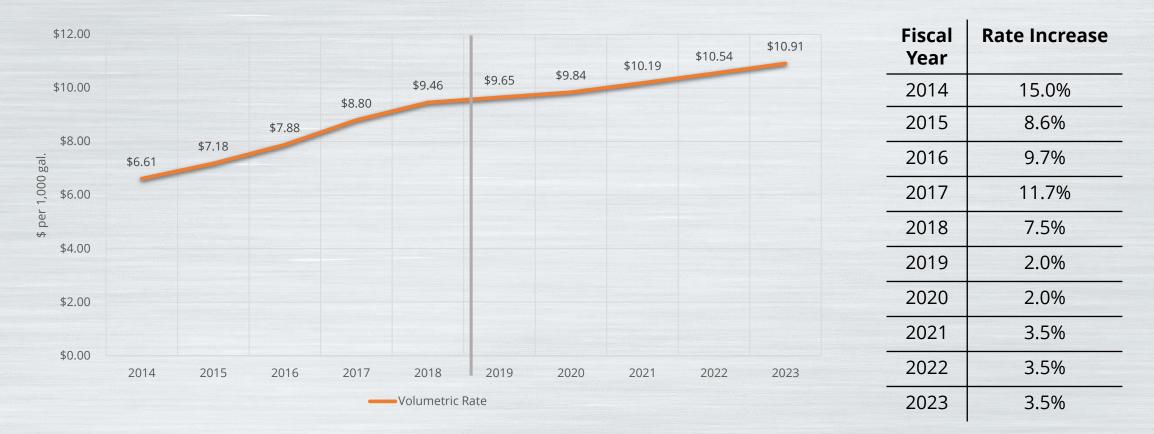


#### **Residential Water Bill Comparison**





### Historical and Projected Water Rates





# Wastewater Budget



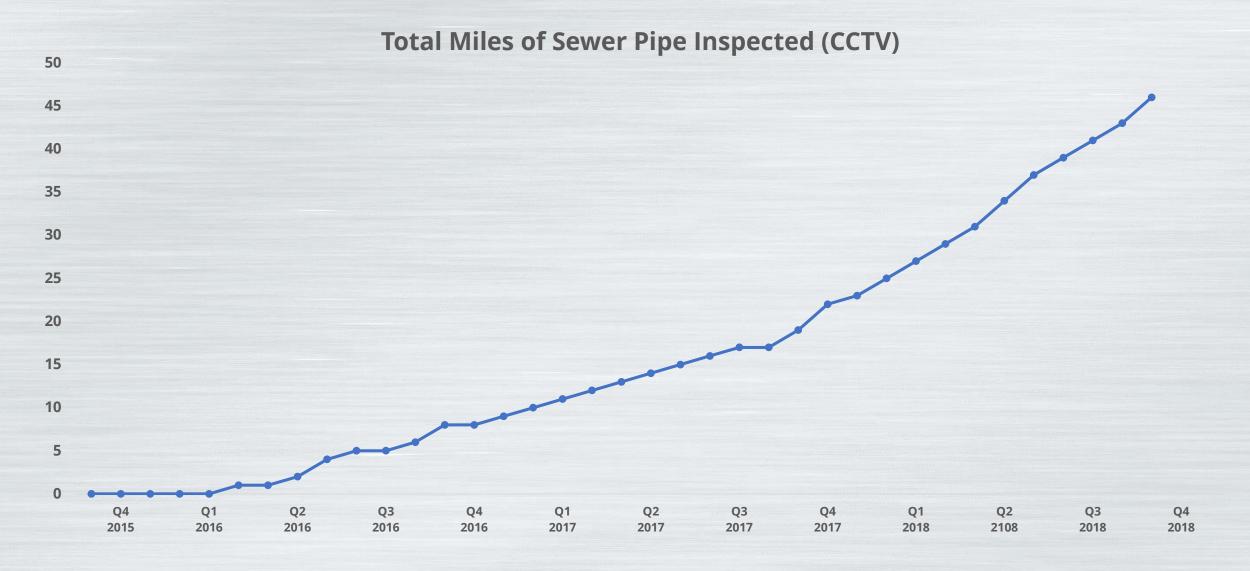


#### **Total Number of Inlets Cleaned**



----Cummulative Inlets Cleaned -----Number of Inlets in System (4,200)





----Cummulative Miles of Pipe







### Proposed 2019 Wastewater Budget

Operating Expenses	FY19 Proposed Budget			Variance FY19 Budget to FY18 Budget		Variance FY19 Budget to FY18 Est. Actual		
Personnel	\$4,344,288	\$4,205,421	\$3,892,361	\$138,867	3%	\$451,927	12%	
Operating Expenses	4,188,144	4,051,311	3,986,227	136,833	3%	201,917	5%	
Indirect/Professional Fee	718,200	926,657	699,460	(208,457)	-22%	18,740	3%	
Administrative Fee	3,301,104	3,127,864	2,917,991	173,240	6%	383,113	13%	
Debt Service	4,908,132	4,936,630	4,163,373	(28,498)	-1%	744,759	18%	
Total Operating Expense	\$17,459,868	\$17,247,883	\$15,659,412	\$211,985	1%	\$1,800,456	11%	



# Wastewater Capital Improvement Program







#### Wastewater 5 Year Capital Improvement Plan

Project Description	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Anaerobic Digester Roof Repair	\$ 6,040,500	\$ 2,200,000	\$ -	\$ -	\$ -
Cogeneration Improvements	\$ 750,000		\$ 12,650,000	-	
Primary Clarifier Improvements	\$ 580,000	\$ 4,000,000	\$ 3,500,000		-
Front St Pump Station Design/Construct	\$ 6,814,814	\$ 6,218,366		-	-
Collection System MS4 Rehab	\$ 3,234,623	\$ 3,000,000	\$ 4,000,000	\$ 4,000,000	\$ 5,000,000
Paxton Creek Interceptor Repair	\$ 5,590,700	\$ 5,000,000	-	-	
Arsenal Boulevard Sewer Improvement	\$ 852,495	\$ 2,341,855			-
Other Multi-Modal CCTW Investigation	\$ 165,000	\$ 250,000	-		
Front Street Interceptor Repairs	-	\$ 10,000,000	-		
Spring Creek Interceptor Improvements	-		-	\$ 500,000	\$ 2,000,000
GSI Design	\$ 750,000		-		-P
Paxton Creek Joint Pollutant Reduction Plan	\$ 430,560	\$ 377,200	\$ 377,200	\$ 377,200	\$ 377,200
3rd Street Multimodal GSI	\$ 316,075		lesten et en		
2018 City Parks GSI	\$ 510,775		service and the service of the		-
Camp Curtin GSI	-	\$ 2,215,200			
MulDer Square GSI	\$ 20,000	\$ 500,000			-
2018 South Allison Hill GSI	\$ 1,057,575				
2nd and 7th Streets Multimodal GSI	\$ 1,443,450	\$ 1,000,000			
Wet Weather Services (NMC Plan & LTCP)	\$ 850,000	\$ 850,000	\$ 333,600	\$ 333,600	\$ 333,600
Summit Terrace GSI	\$ 546,113				
Total	\$ 29,952,683	\$ 37,952,621	\$ 20,860,800	\$ 5,210,800	\$ 7,710,800

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### Proposed 2019 Capital Improvement Budget

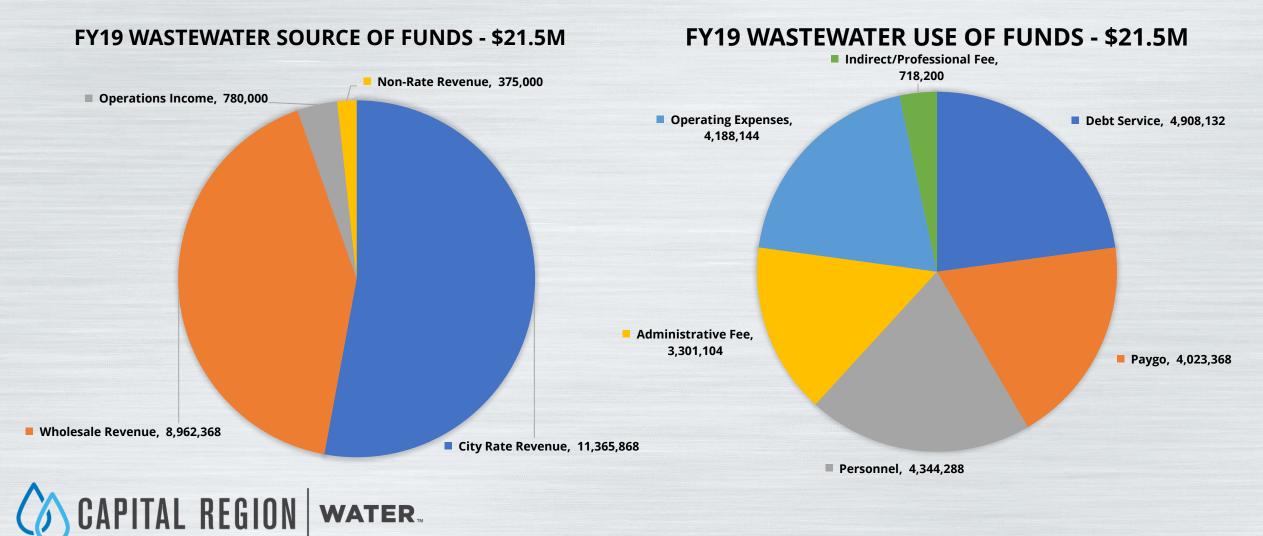
Capital Expenses	FY19 Proposed Budget	FY18 Adopted Budget	FY18 Estimated Actuals	Variance FY19 Budget to FY18 Budget		Variance FY19 Budget to FY18 Est. Actual	
Capital Improvement	\$29,952,683	\$32,277,295	\$ 17,581,760	\$ (2,324,612)	-7%	\$12,370,923	70%
Capital - Operations	1,230,450	710,000	541,757	520,450	73%	688,693	127%
Total Capital Expense	\$31,183,133	\$32,987,295	\$18,123,517	\$(1,804,162)	-5%	\$13,059,616	72%



# Wastewater Budget Sources and Uses



## 2019 Wastewater Operating Budget



## 2019 Wastewater Capital Budget

2019 Revenues, 4,023,368

Cash Reserves, 476,632

PENNVEST, 6,814,814

#### FY19 WASTEWATER CAPITAL BUDGET SOURCE OF FUNDS - \$31.2M

#### FY19 WASTEWATER CAPITAL BUDGET USE OF FUNDS - \$31.2M

Capital - Operations, 1,230,450

Bond Reserves, 8,664,194



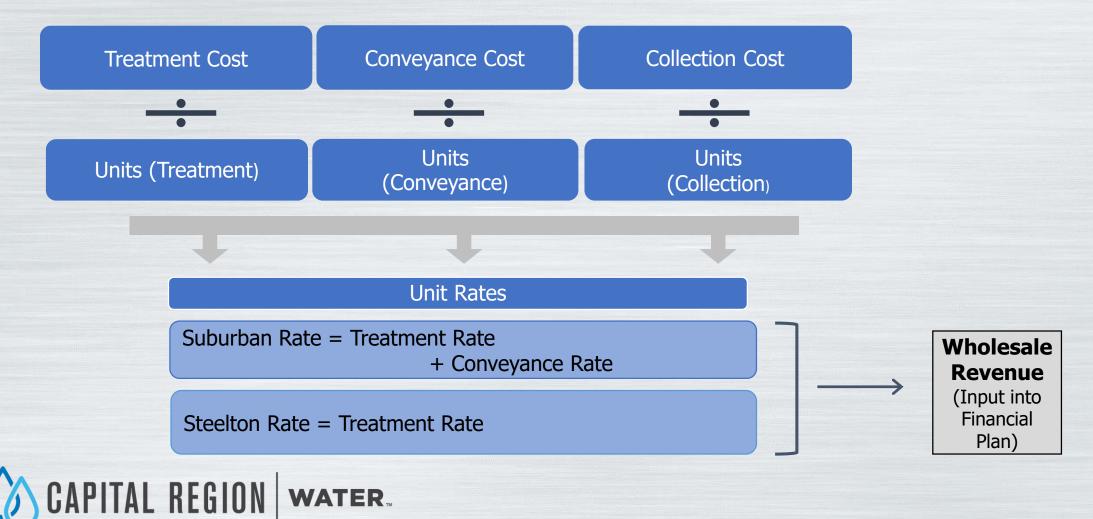
New Debt, 11,204,125

Capital Improvement, 29,952,683

# Proposed 2019 Wastewater Rates



### Wastewater Rate Calculation Process Step 2. Determine Wholesale Rates



### Wastewater Rate Calculation Process Step 3. Determine City Retail Rates

	Total Revenue Needs		
Suburban	Less (-)		
Revenue (Input into →	Suburban Wholesale Revenue		
Financial Plan)	Other Non-Rate Revenue		
	Equals (=)		
	Net Rate Revenue Needs	$\rightarrow$	City Retail Sewer Rates



### Proposed 2019 Wastewater Rates

Description	Existing FY 2018	Proposed FY 2019	Percent Change
City of Harrisburg Sewer Rate (per 1,			
-Sewer Utilization Charge	\$6.08	\$6.66	9.5%
-Sewer Maintenance Charge	<u>\$0.91</u>	<u>\$0.99</u>	9.5%
-Total City Sewer Rate	\$6.99	\$7.65	9.5%
Suburban Sewer Rate (per 1,000 g	gallons)		
-Suburban Customers (Conveyance & Treatment)	\$4.33	\$4.39	1.3%
-Steelton Customers (Treatment)	\$2.89	\$3.08	6.6%

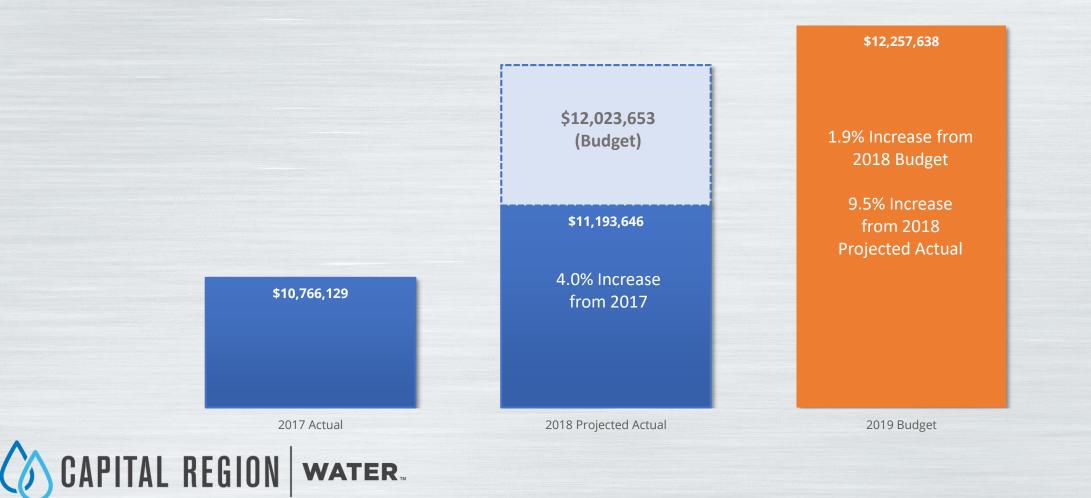


### Wastewater Rate Increase Drivers

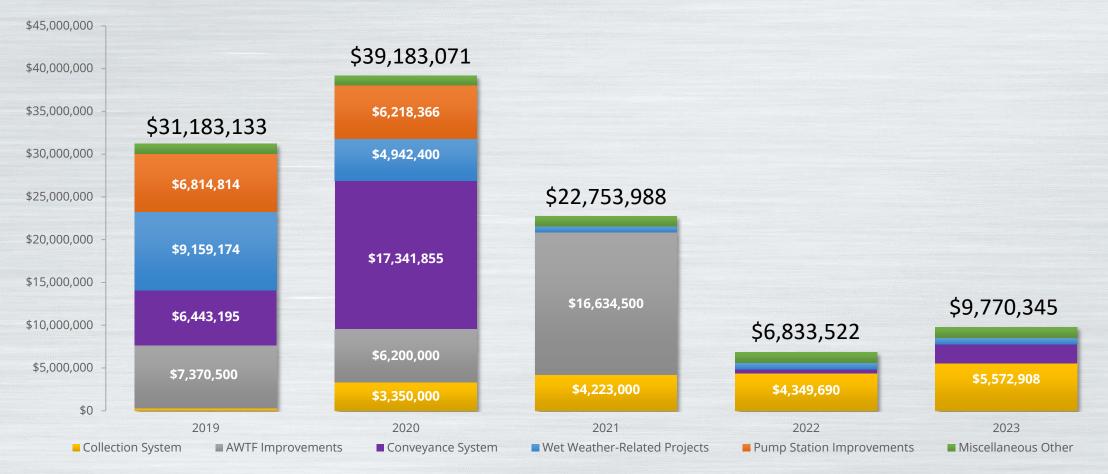
- Operating Expense Budget for FY 2019
- Capital Project Needs
- Debt Service
- Cash Reserves Target



#### 1. Operating Expenses Wastewater Rate Increase Drivers

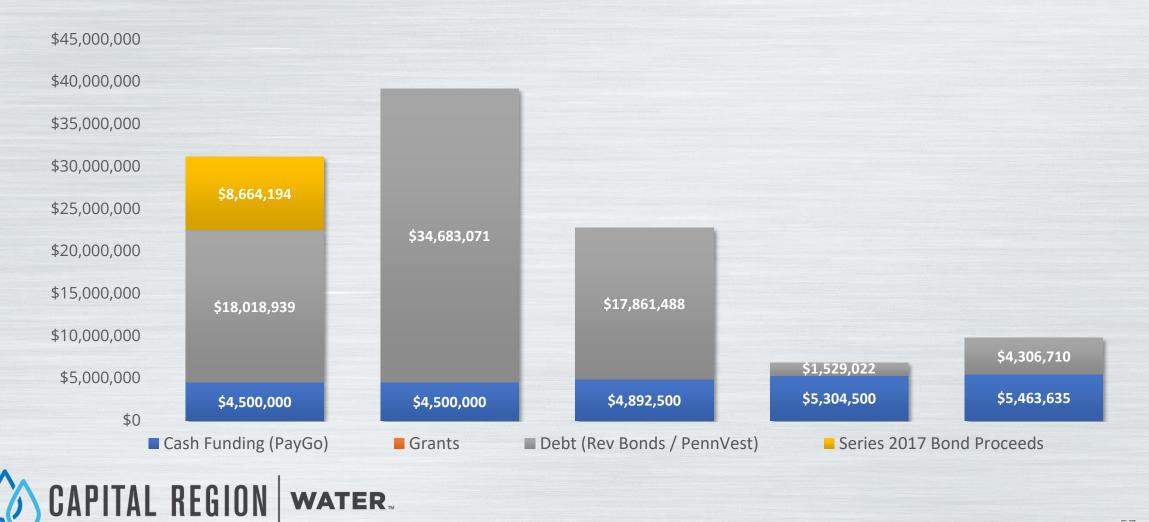


#### 2. Capital Project Needs Wastewater Rate Increase Drivers





#### 2. Capital Project Funding Sources Wastewater Rate Increase Drivers



## 3. Debt Service

Wastewater Rate Increase Drivers

#### **Debt Service Coverage**

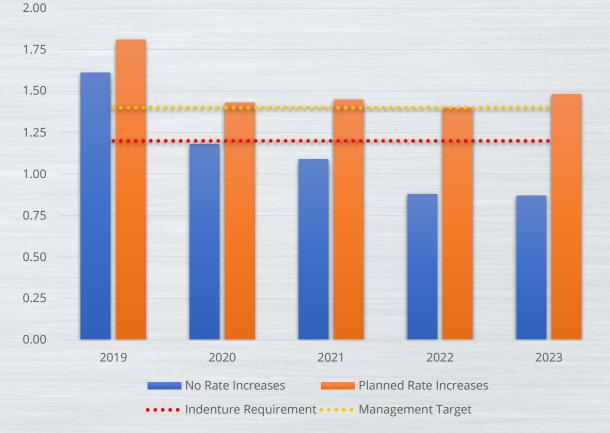
Management Target Minimum 1.40

Trust Indenture Minimum Requirement (Senior) 1.20

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Debt Service Coverage = Operating Revenues – Operating Expenses Total Annual Debt Service

WATER



## 4. Cash Reserve Target

\$25.0

Wastewater Rate Increase Needs

### Management Target Minimum

#### -240 days

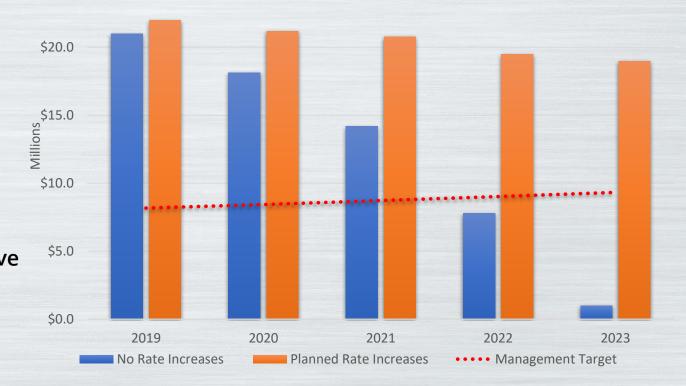
**Operating Reserve Minimum (Trust Indenture)** 

-60 days

Additional Management Target Minimum

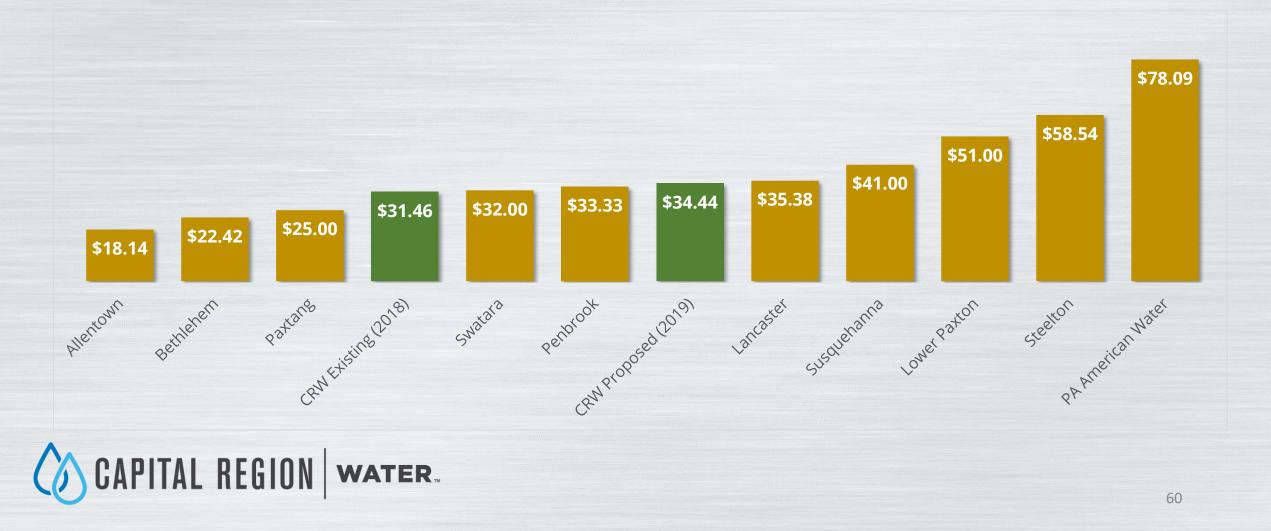
-180 days

\*Includes Operating Account and Operating Reserve Account

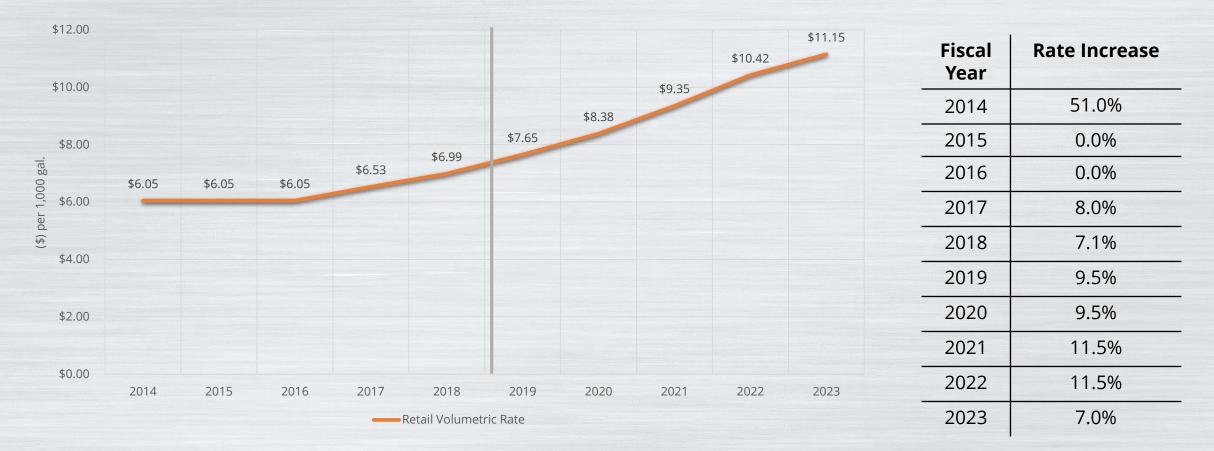




### **Residential Wastewater Bill Comparison**



### Historical and Projected Retail Wastewater Rates





# **Administration Budget**



### Proposed 2019 Administration Budget

Operating Expenses	FY19 Proposed Budget	FY18 Adopted Budget	FY18 Estimated Actuals	Variance FY19 Bu to FY18 Budge	•	Variance FY19 Bud to FY18 Est. Actua		-
Personnel	\$4,663,997	\$4,583,813	\$4,110,898	\$80,184	2%		\$553,099	13%
General & Administrative	664,924	708,526	605,823	(43,602)	-6%	\$	59,101	10%
Professional Services	532,760	381,665	417,545	151,095	40%	\$	115,215	28%
Treasury	502,139	431,250	522,263	70,889	16%	\$	(20,124)	-4%
Capital (CSC Improvements)	120,000	44,000	75,000	76,000	173%	\$	45,000	60%
Total Operating Expense	\$6,483,820	\$6,149,254	\$5,731,529	\$258,566	4%	9	5707,291	12%



# Questions and Comments





#### WATER