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

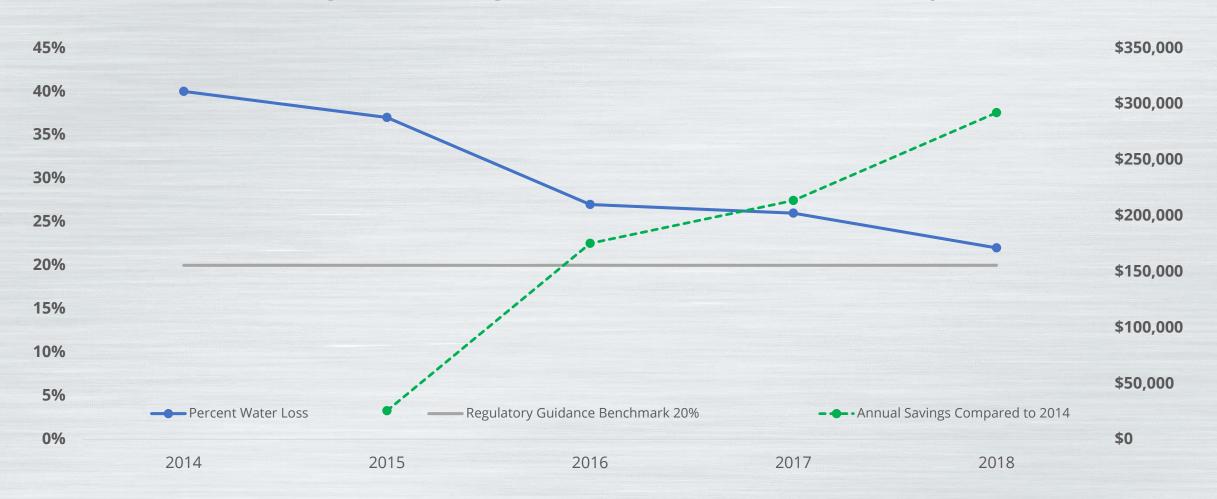
Finance **Budget Budget Rate Study** Committee Planning Forecasting **Presentation November 28** Finance **Public Board** Committee Hearing Adoption Presentation



Drinking Water Budget



Reducing Costs Through Proactive Leak Detection and Repairs



CAPITAL REGION WATER.









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

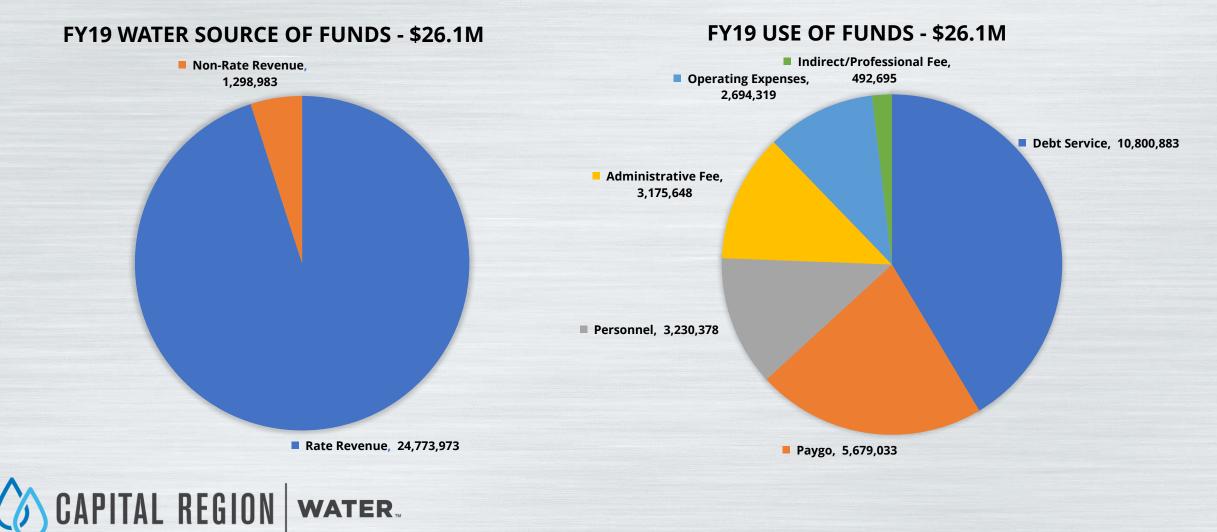
| Capital Expenses | FY19 Proposed Budget | | FY18 Adopted Budget | | FY18 Estimated Actuals | | Variance FY19 Budget to FY18 Budget | | | Variance FY19 Budget to FY18 Est. Actual | |
|-----------------------|-------------------------|-----------|------------------------|-----------|---------------------------|-----------|--|----------|-------|---|------|
| 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

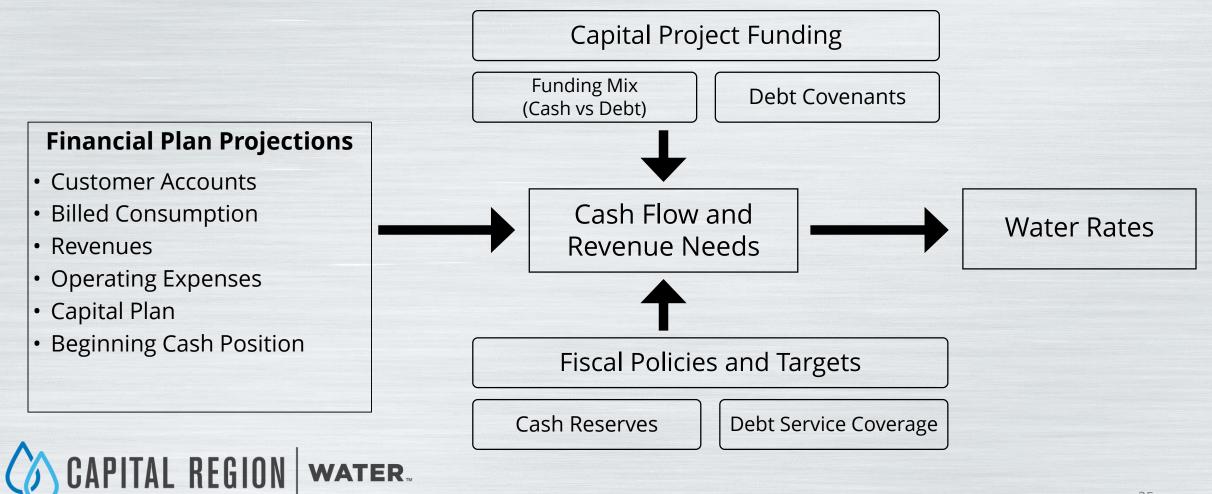
Capital - Operations, 1,414,000

> 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% | |

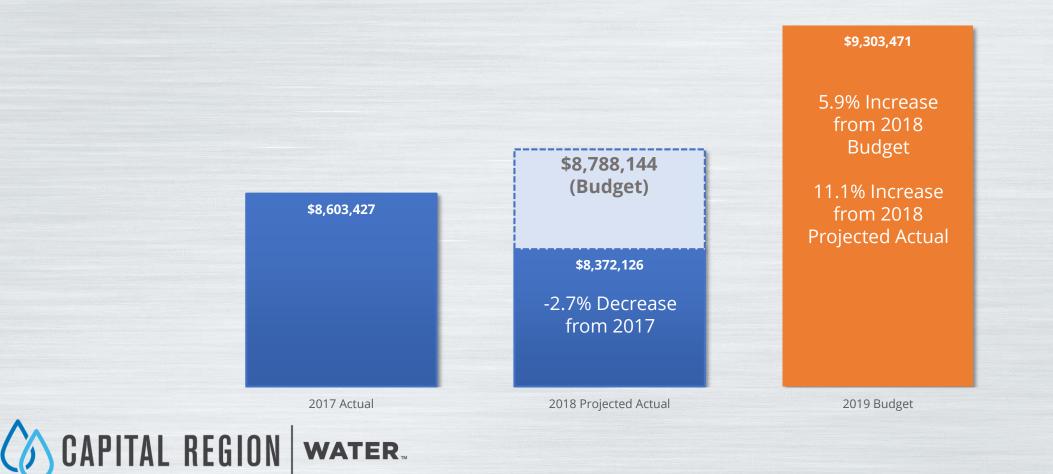


Drinking Water Rate Increase Drivers

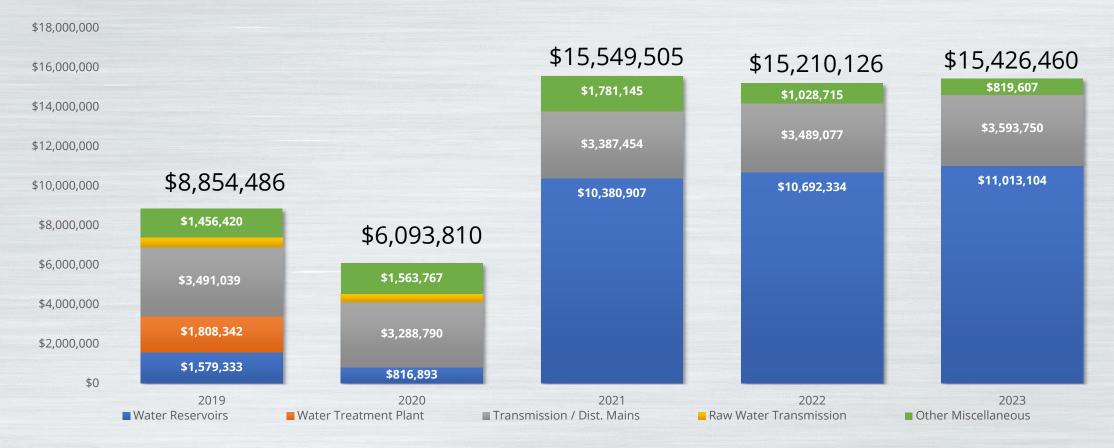
- Operating Expense Budget for FY 2019
- Capital Project Needs
- Debt Service
- Cash Reserves Target



1. Operating Expenses Water Rate Increase Drivers



2. Capital Project Needs Water Rate Increase Drivers





2. Capital Project Funding Sources Water Rate Increase Drivers



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3. Debt Service

Water Rate Increase Drivers

Debt Service Coverage

Management Target Minimum (Senior) 1.45

Trust Indenture Minimum Requirement

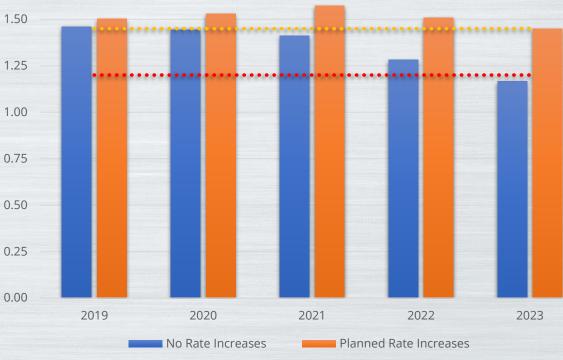
(Senior) 1.20

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

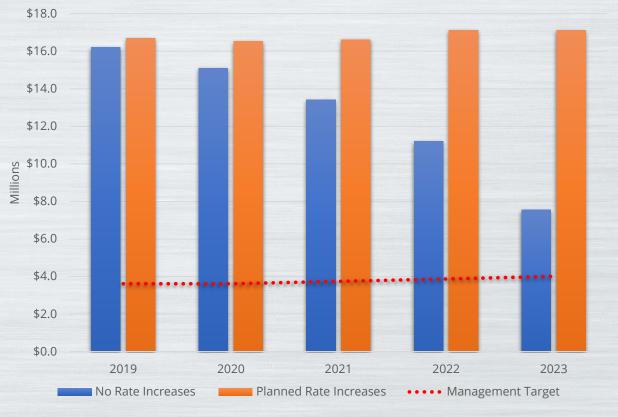
Operating Reserve Minimum (Trust Indenture)

-60 days

Additional Management Target Minimum

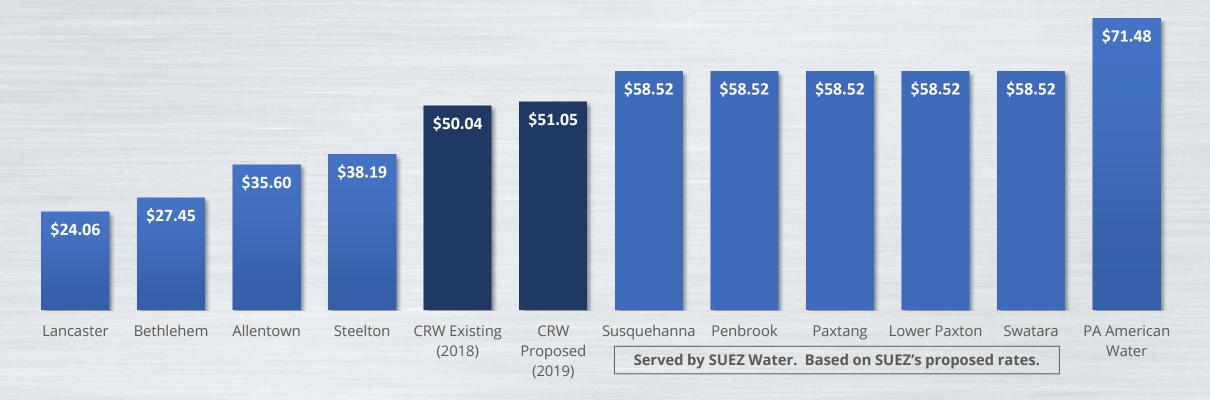
-140 days

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



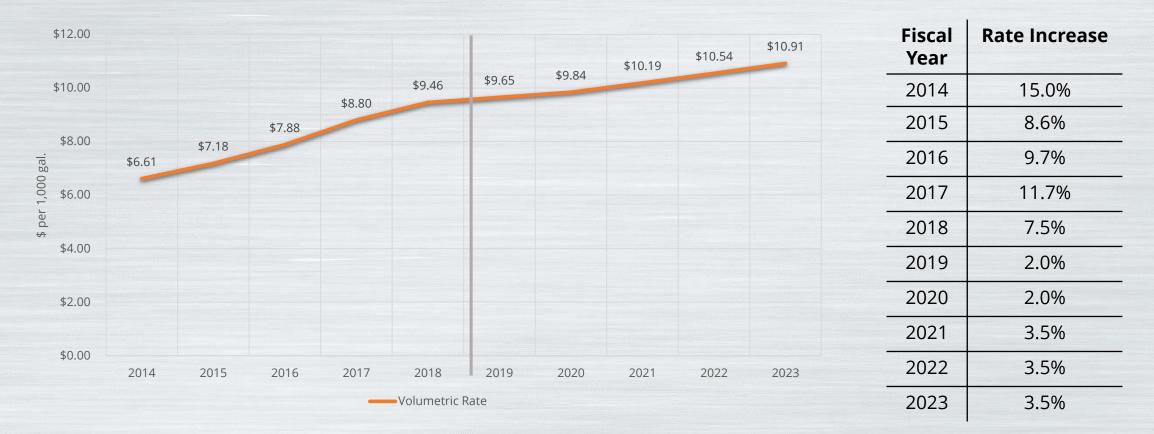


Residential Water Bill Comparison





Historical and Projected Water Rates



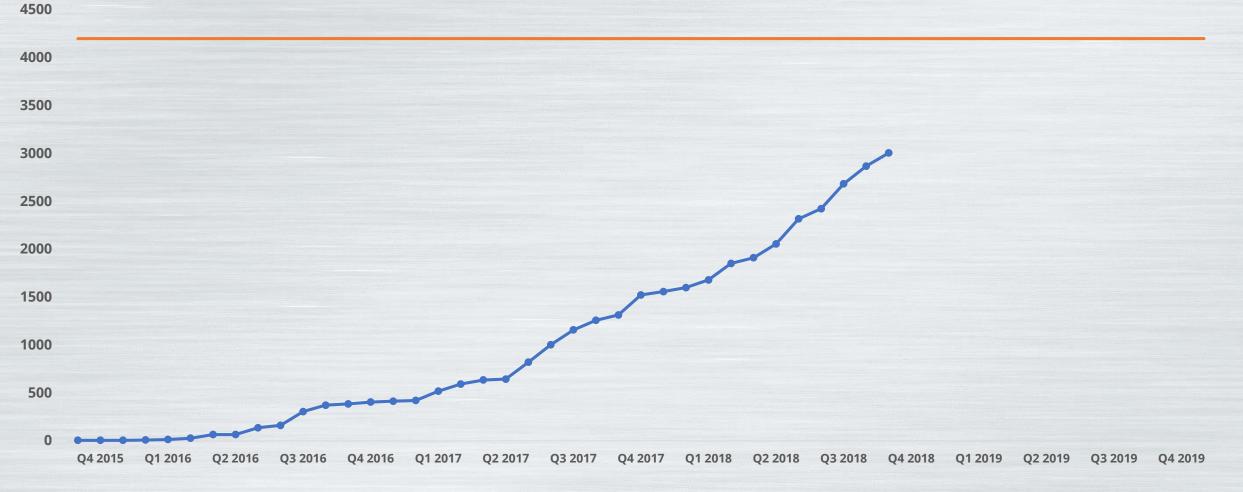


Wastewater Budget



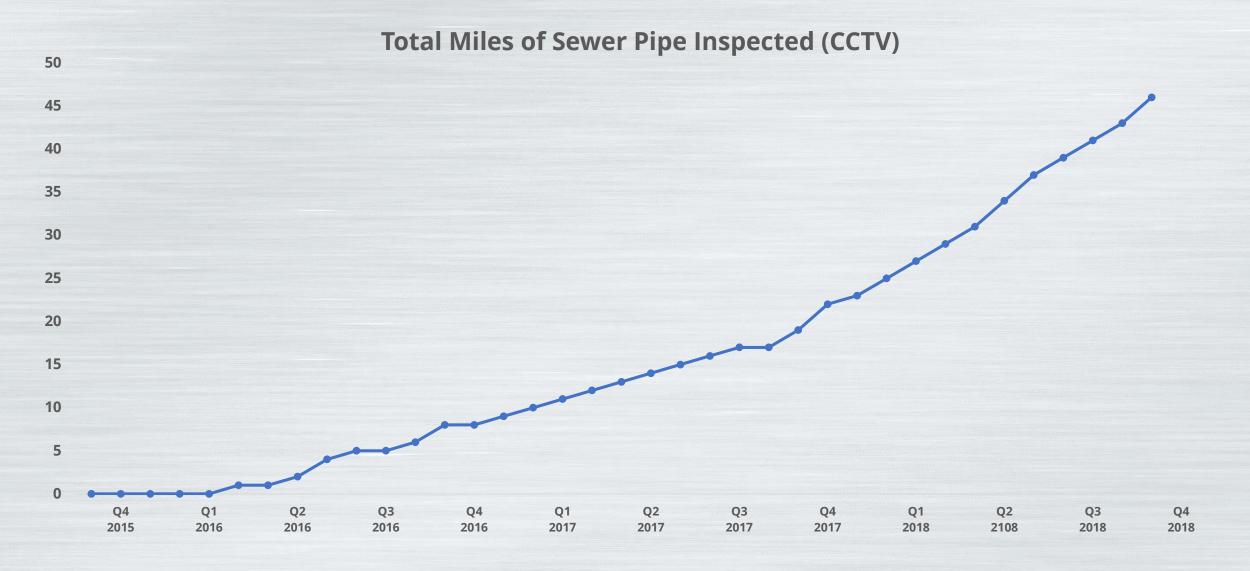


Total Number of Inlets Cleaned



----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 |

CAPITAL REGION WATER.

Proposed 2019 Capital Improvement Budget

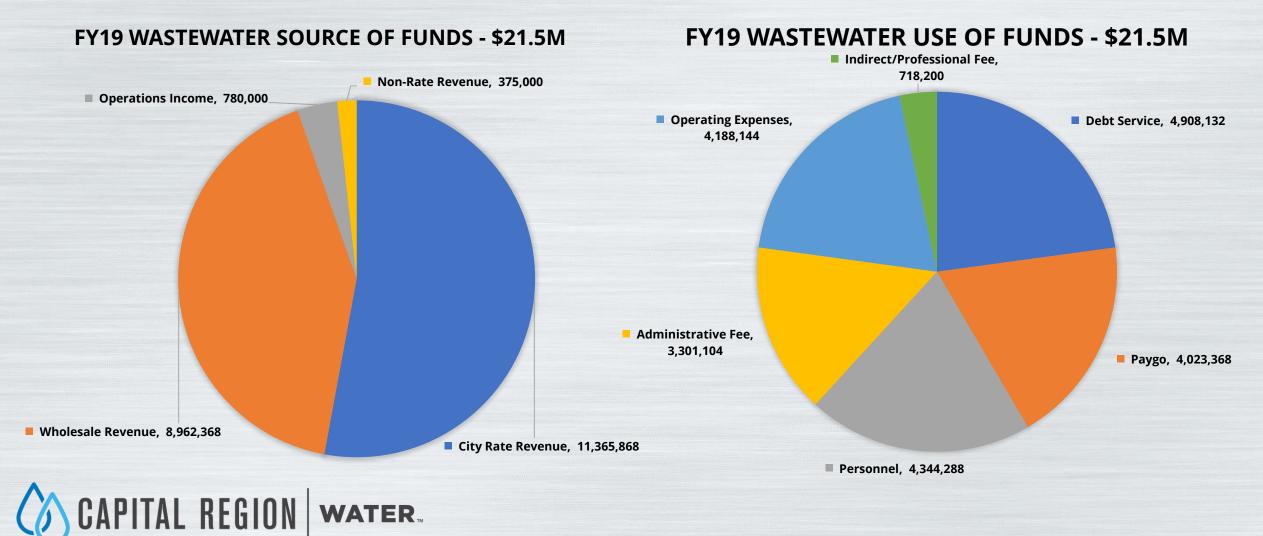
| Capital Expenses | FY19 Proposed Budget | FY18 Adopted Budget | FY18 Estimated Actuals | Variance FY19 Budget to FY18 Budget | | Variance FY19 Budget to FY18 Est. Actual | |
|-----------------------|-------------------------|------------------------|---------------------------|--|-----|---|------|
| 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



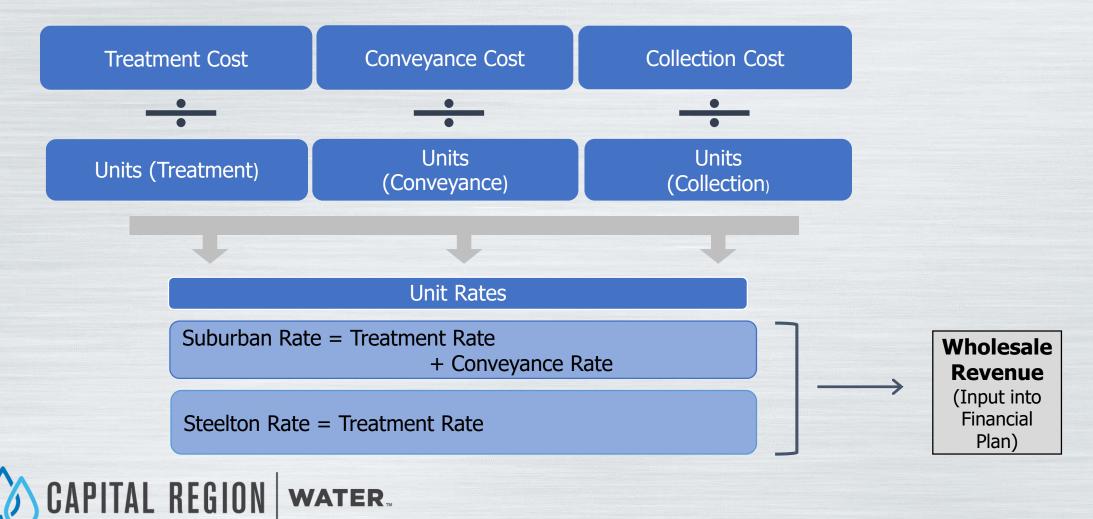
New Debt, 11,204,125

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

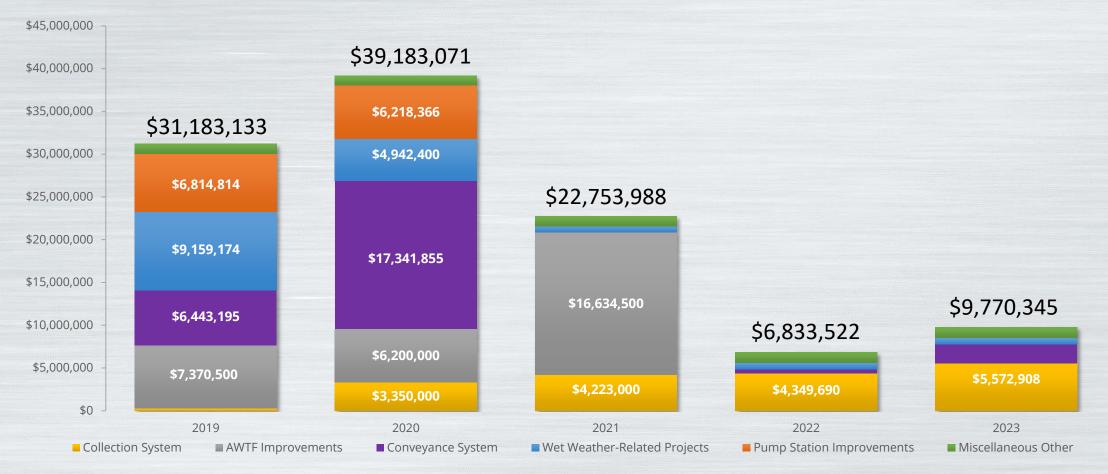
- Operating Expense Budget for FY 2019
- Capital Project Needs
- Debt Service
- Cash Reserves Target



1. Operating Expenses Wastewater Rate Increase Drivers

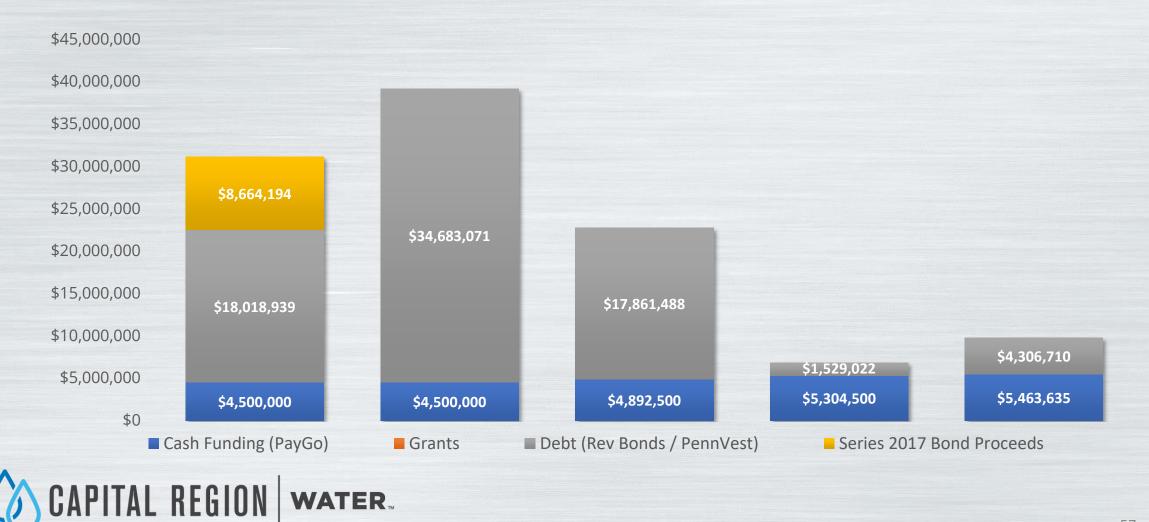


2. Capital Project Needs Wastewater Rate Increase Drivers





2. Capital Project Funding Sources Wastewater Rate Increase Drivers



3. Debt Service

Wastewater Rate Increase Drivers

Debt Service Coverage

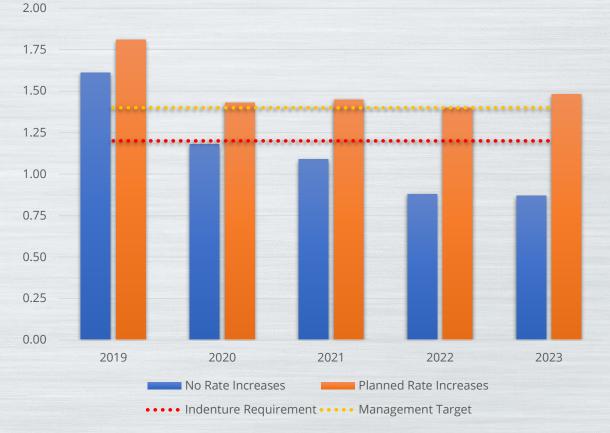
Management Target Minimum 1.40

Trust Indenture Minimum Requirement (Senior) 1.20

CAPITAL REGION

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

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4. Cash Reserve Target

\$25.0

Wastewater Rate Increase Needs

Management Target Minimum

-240 days

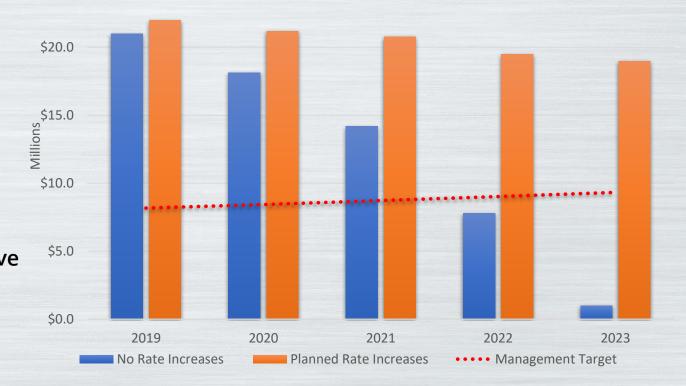
Operating Reserve Minimum (Trust Indenture)

-60 days

Additional Management Target Minimum

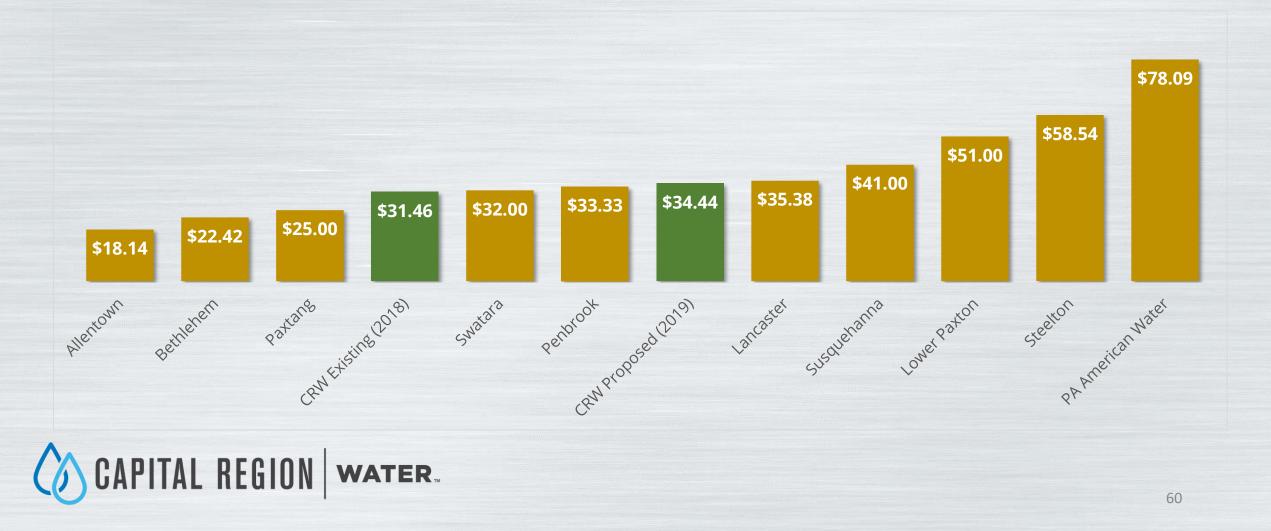
-180 days

*Includes Operating Account and Operating Reserve Account

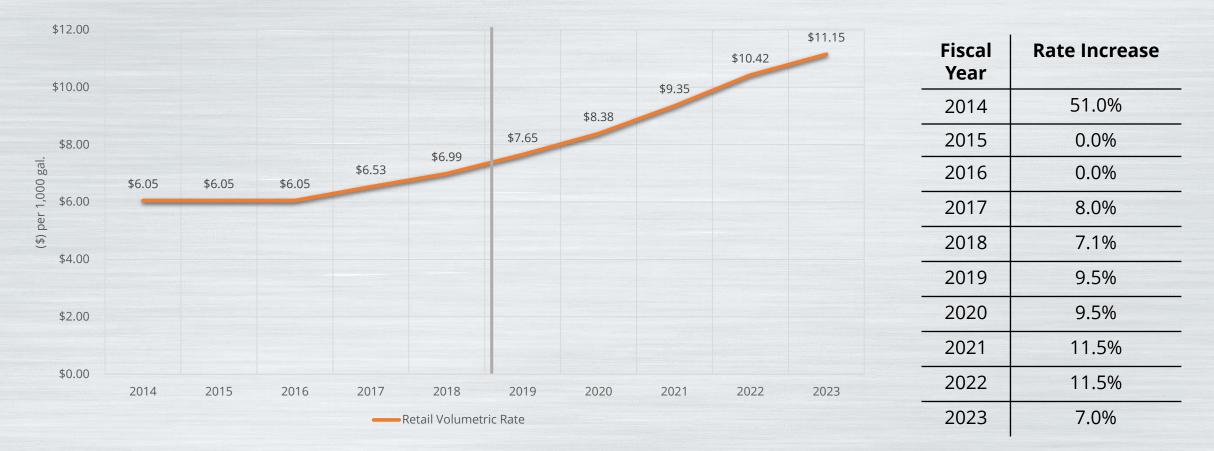




Residential Wastewater Bill Comparison



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





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