

A close-up photograph of clear water being poured from a glass pitcher into a larger body of water. The water is captured in motion, creating a dynamic stream and ripples on the surface. The lighting is bright, highlighting the transparency and texture of the liquid.

Water and Sewer Rate Study

City of Annapolis, MD

Agenda

1 Water and Sewer Fund Financial Plan

2 Rates and Customer Impacts

3 Comparisons

1 Water and Sewer Fund Financial Plan



Financial Plan Development

1) Revenue Requirements:

- Expenses based on FY19 budget, and escalated on line item level using cost indices and staff input
- Incorporates existing debt and capital improvement plan (CIP)

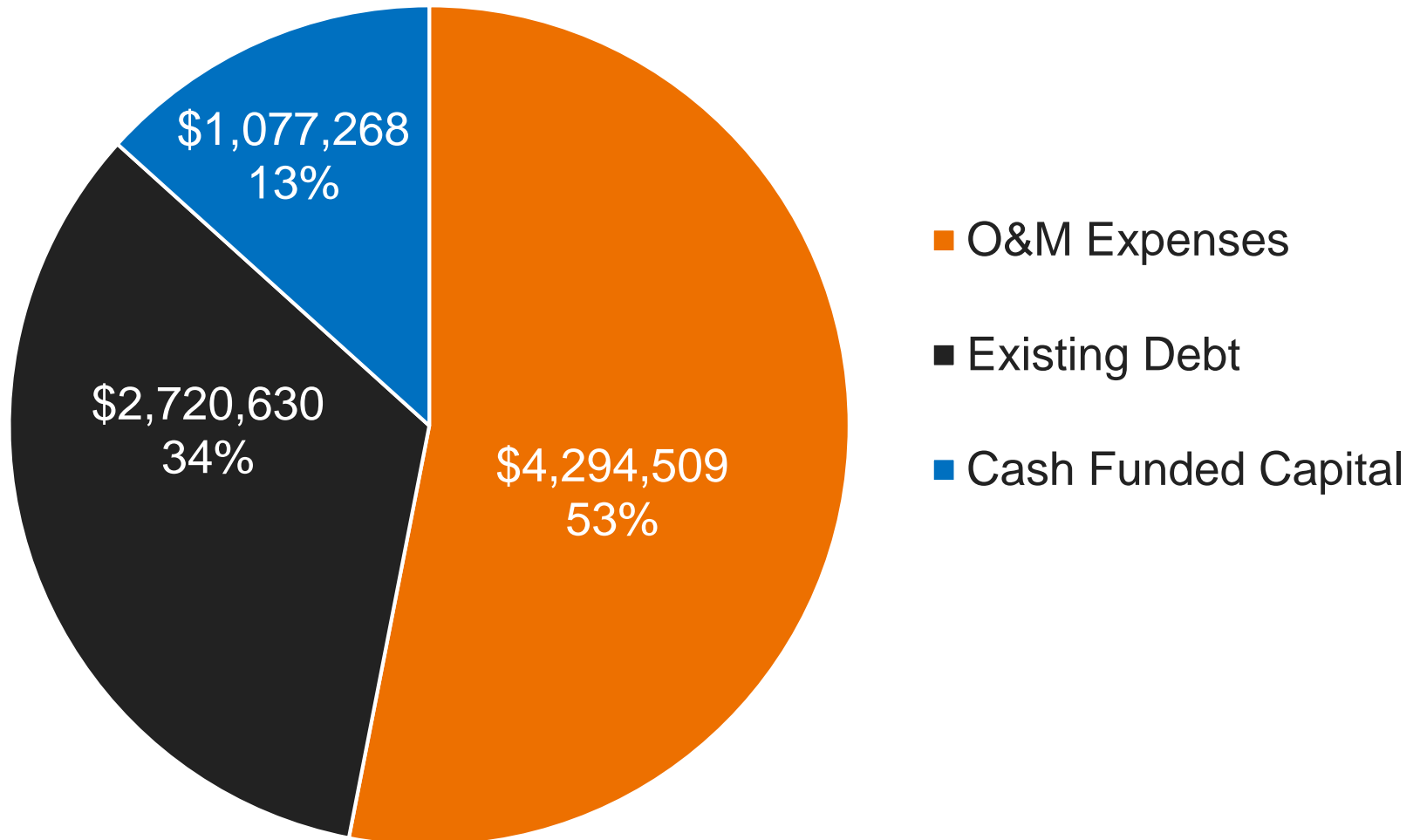
2) Revenue Forecast:

- Forecast of system demands and customer counts
- Development of revenue forecast with existing rates and fees

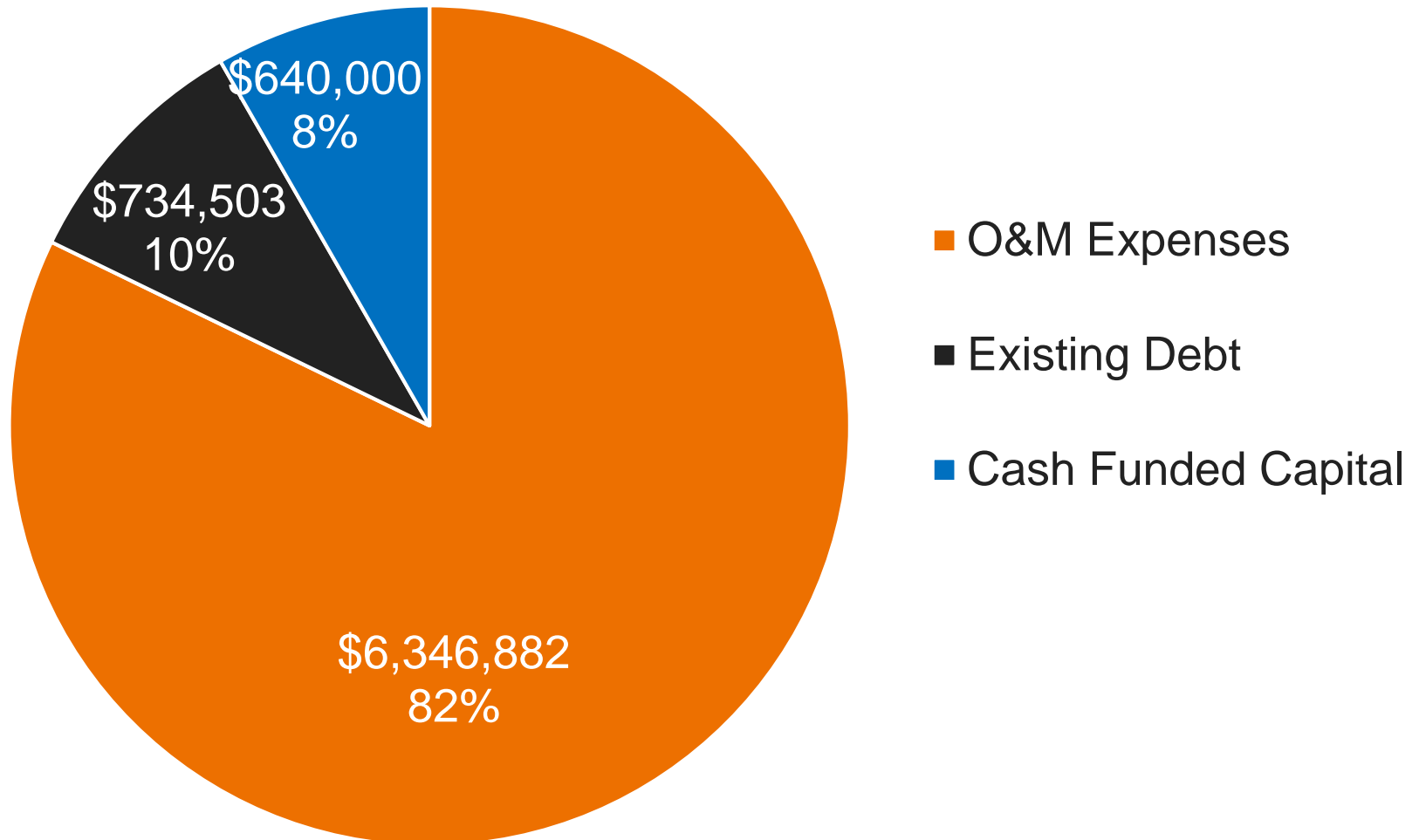
3) Evaluate Key Metrics:

- Ability to establish/maintain minimum reserve balances
- Ability to meet debt service requirements

2019 Water Revenue Requirements



2019 Sewer Revenue Requirements



Water Revenue Sufficiency

	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28
Total Operating Expenses	\$4.29	\$4.36	\$4.49	\$4.63	\$4.76	\$4.91	\$5.05	\$5.20	\$5.36	\$5.51
Capital Expenses										
Cash Funded Capital	\$1.08	\$1.16	\$1.31	\$1.40	\$1.48	\$1.57	\$1.65	\$1.74	\$1.82	\$1.91
Existing Debt Service	\$2.72	\$2.74	\$2.72	\$2.74	\$2.74	\$2.74	\$2.74	\$2.73	\$2.74	\$2.74
Projected Debt Service	\$0.00	\$0.12	\$0.22	\$0.33	\$0.44	\$0.54	\$0.63	\$0.71	\$0.79	\$0.87
Total Capital Expenses	\$3.80	\$4.01	\$4.26	\$4.47	\$4.66	\$4.84	\$5.02	\$5.19	\$5.36	\$5.52
Total Water Expenses	\$8.09	\$8.38	\$8.75	\$9.10	\$9.42	\$9.74	\$10.07	\$10.39	\$10.71	\$11.03
Current Water Revenues	\$8.56	\$8.52	\$8.48	\$8.44	\$8.41	\$8.37	\$8.33	\$8.30	\$8.26	\$8.22

*Revenues at current rates / no increases

**Assumes capital funded with 40% cash / 60% debt

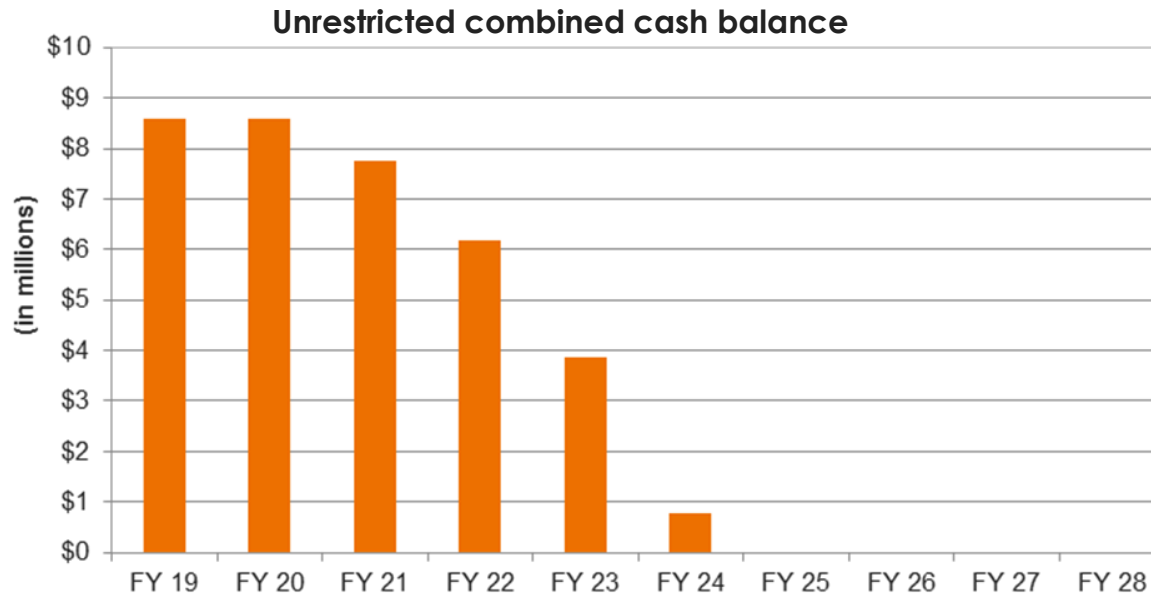
Sewer Revenue Sufficiency

	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28
Total Operating Expenses	\$6.35	\$6.57	\$6.80	\$7.05	\$7.30	\$7.56	\$7.83	\$8.11	\$8.40	\$8.68
Capital Expenses										
Cash Funded Capital	\$0.64	\$0.69	\$0.73	\$0.78	\$0.83	\$0.88	\$0.93	\$0.97	\$1.02	\$1.07
Existing Debt Service	\$0.73	\$0.72	\$0.73	\$0.71	\$0.71	\$0.71	\$0.71	\$0.72	\$0.71	\$0.72
Projected Debt Service	\$0.00	\$0.07	\$0.13	\$0.20	\$0.25	\$0.31	\$0.36	\$0.41	\$0.45	\$0.49
Total Capital Expenses	\$1.37	\$1.48	\$1.60	\$1.69	\$1.80	\$1.90	\$2.00	\$2.10	\$2.19	\$2.28
Total Sewer Expenses	\$7.72	\$8.05	\$8.41	\$8.74	\$9.10	\$9.46	\$9.83	\$10.21	\$10.59	\$10.97
Current Sewer Revenues	\$8.36	\$8.33	\$8.29	\$8.25	\$8.22	\$8.18	\$8.14	\$8.11	\$8.07	\$8.04

*Revenues at current rates / no increases

**Assumes capital funded with 40% cash / 60% debt

Metrics without Increases



Debt Coverage	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27
Net Income Available for Debt Service	\$6.0	\$5.6	\$5.2	\$4.7	\$4.2	\$3.8	\$3.3	\$2.8	\$2.3
Annual Debt Service	\$1.4	\$1.6	\$1.8	\$2.3	\$2.5	\$2.6	\$2.8	\$2.9	\$3.0
Debt Service Coverage (Min 1.5)	4.15	3.48	2.83	2.04	1.72	1.44	1.19	0.96	0.75

Financial Plan Recommendation

Rate Adjustments	FY 19	FY 20	FY 21
Water	2.5%	2.5%	2.5%
Sewer	2.5%	2.5%	2.5%

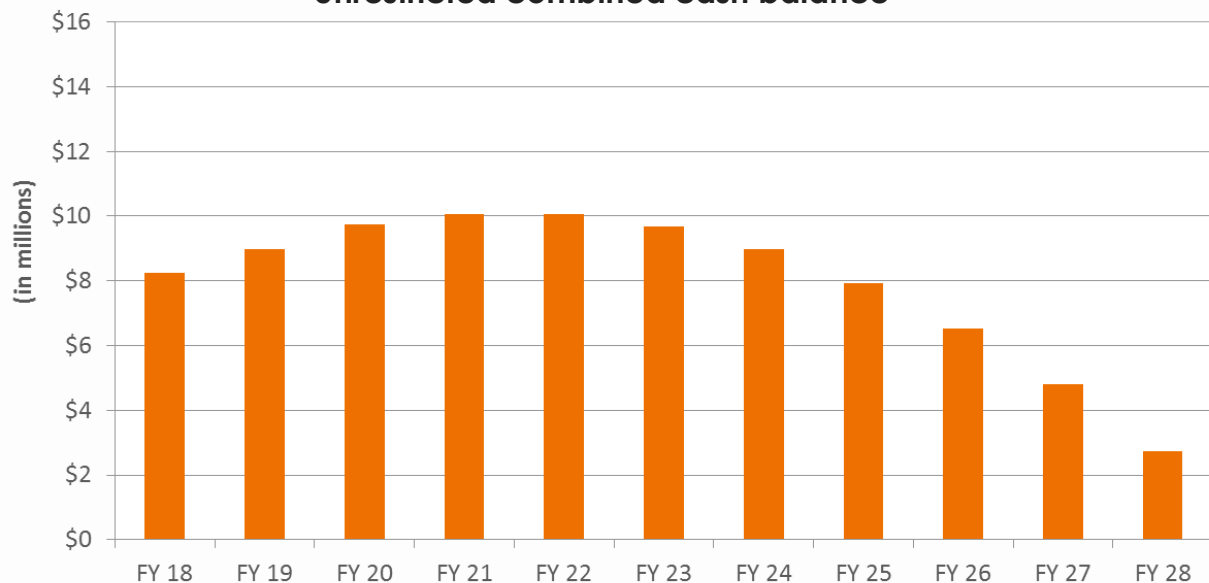
FY 20 and 21 for informational purposes only

Financial plan will allow for:

- Funding of water and sewer system operating, existing debt requirements and future capital investments
- Gradually transition to funding capital with cash over time

Metrics with Financial Plan

Unrestricted combined cash balance



*Assumes annual 2.5% increases in rates

Debt Coverage	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27
Net Income Available for Debt Service	\$6.3	\$6.4	\$6.3	\$6.3	\$6.2	\$6.1	\$6.1	\$6.0	\$5.9
Annual Debt Service	\$1.4	\$1.6	\$1.8	\$2.3	\$2.5	\$2.6	\$2.8	\$2.9	\$3.0
Debt Service Coverage (Min 1.5)	4.42	3.96	3.46	2.72	2.52	2.35	2.20	2.07	1.96

2 Rates and Customer Impacts

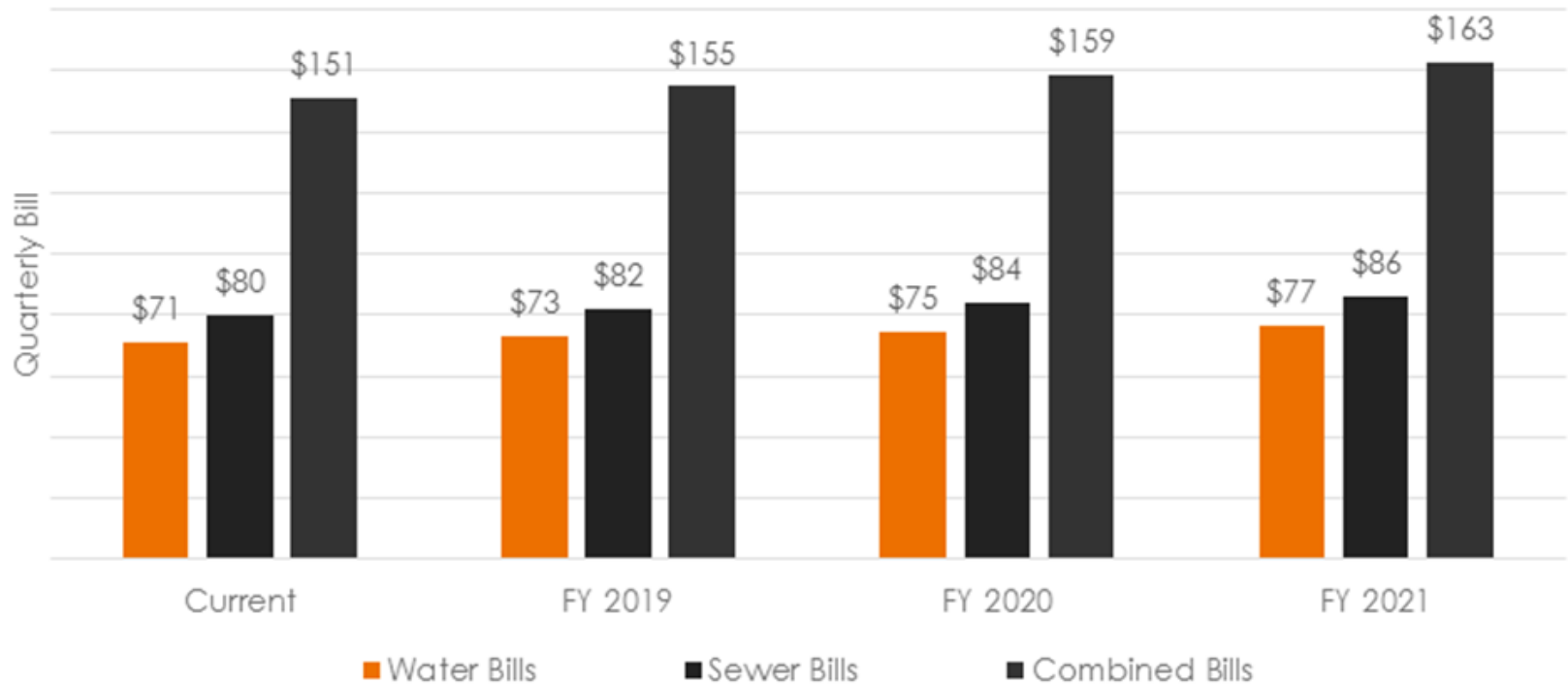


Proposed FY19 Rates

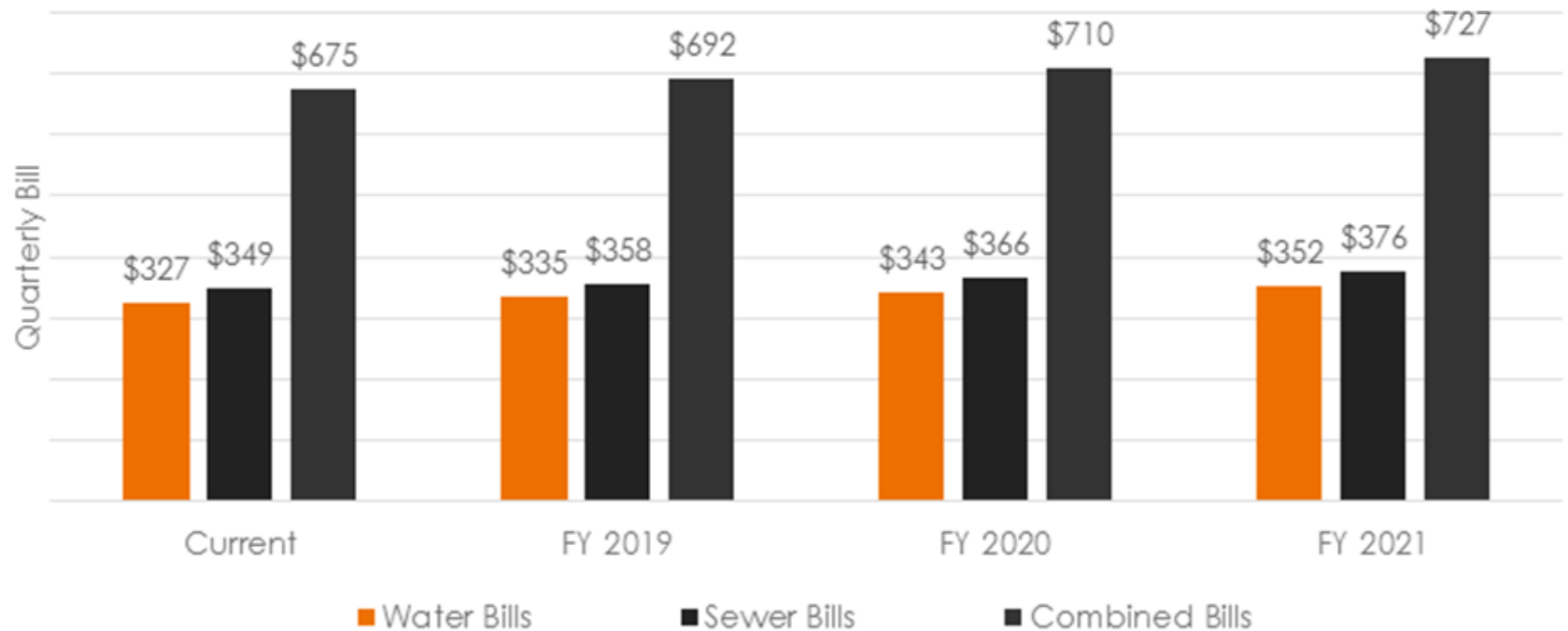
Meter Size	Water Fixed Charge	Sewer Fixed Charge
1" or Less	\$11.46	\$13.05
1 ½"	\$57.29	\$65.23
2"	\$91.66	\$104.37
3"	\$183.33	\$208.74
4"	\$286.45	\$326.16
6"	\$572.89	\$652.32

Type	Usage Charge (per 1,000 gallons)
Residential Water	
Tier 1: 0 - 7,000 gallons	\$3.61
Tier 2: 7,001 - 20,000 gallons	\$7.24
Tier 3: Over 20,000 gallons	\$10.86
Non-Residential Water	\$5.39
Sewer Usage Rates	\$5.74
Naval Academy Usage Rates	\$5.11

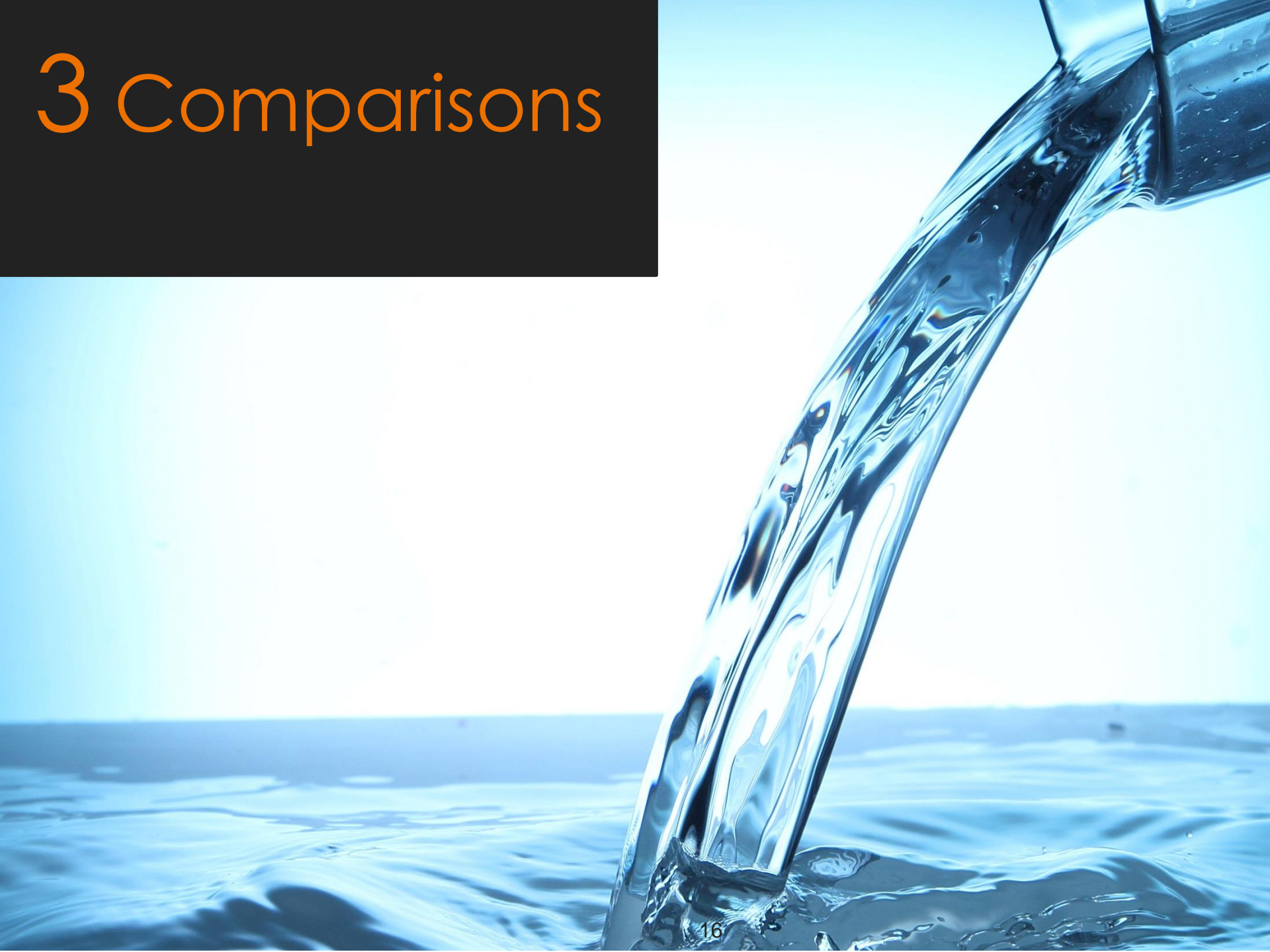
Average Residential Customer (12 Kgal) Quarterly Bill Projection



Sample Non-Residential Customer (60 Kgal) Quarterly Bill Projection

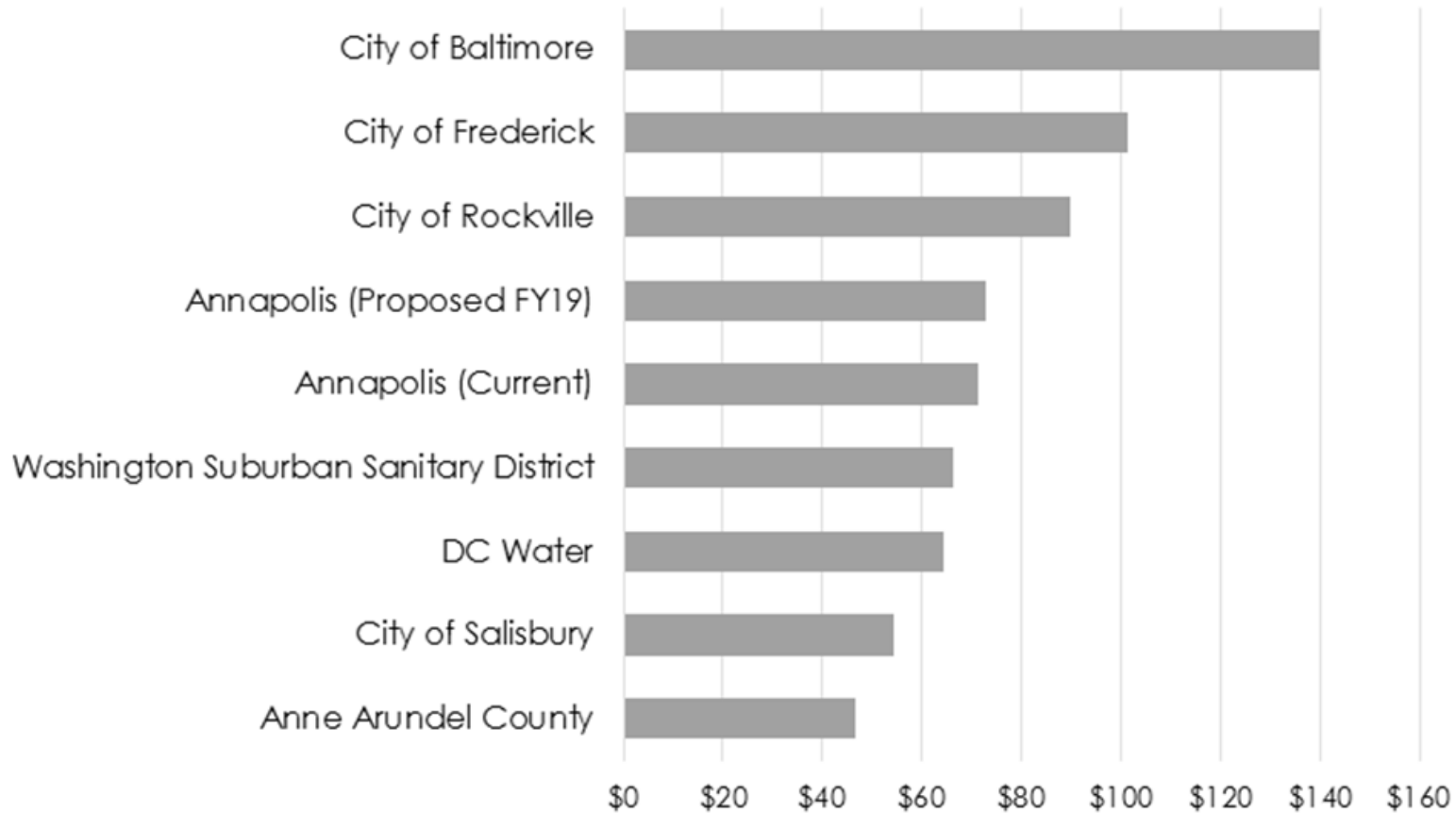


3 Comparisons



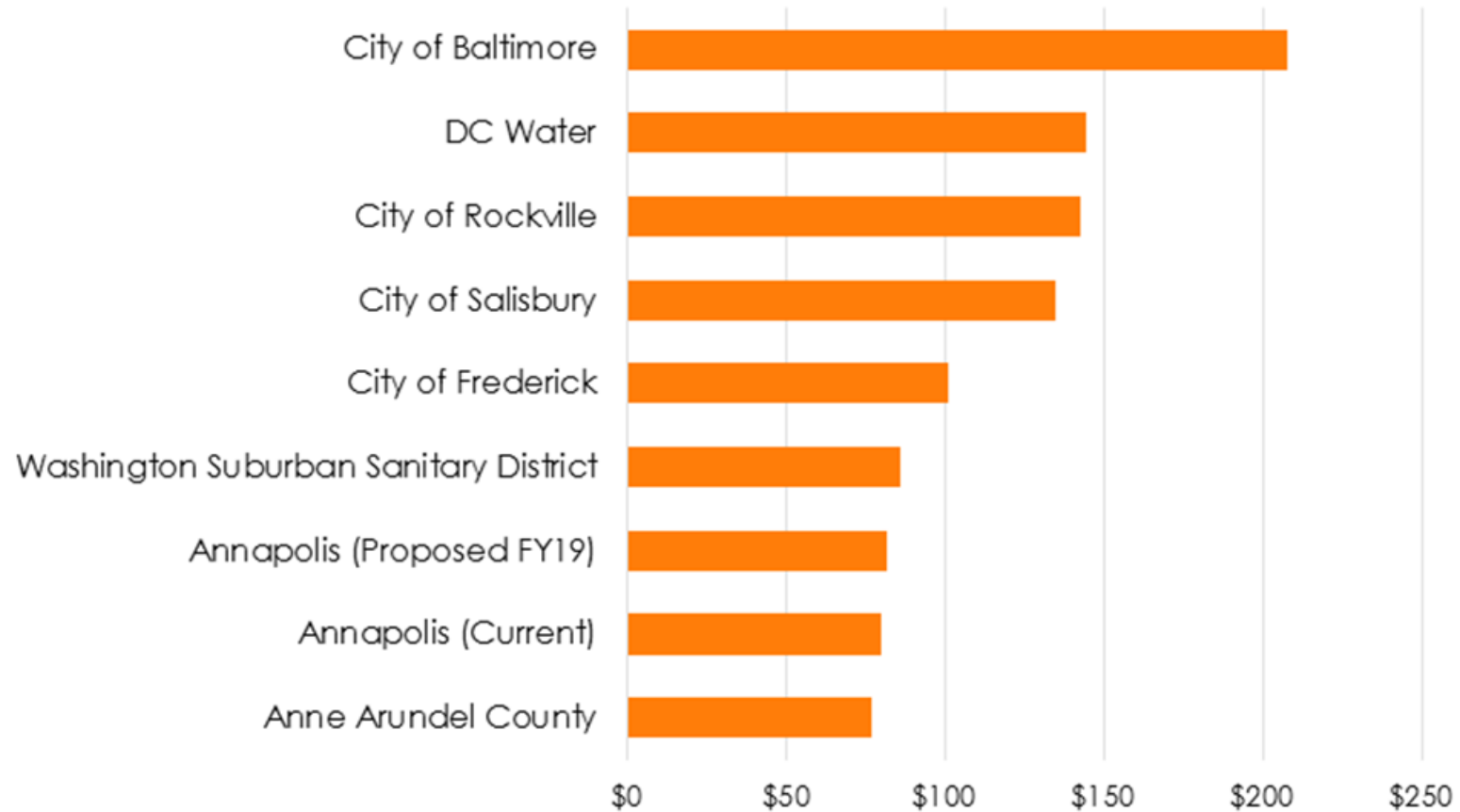
Water Bill Comparison

Average Quarterly Bill (12Kgal)



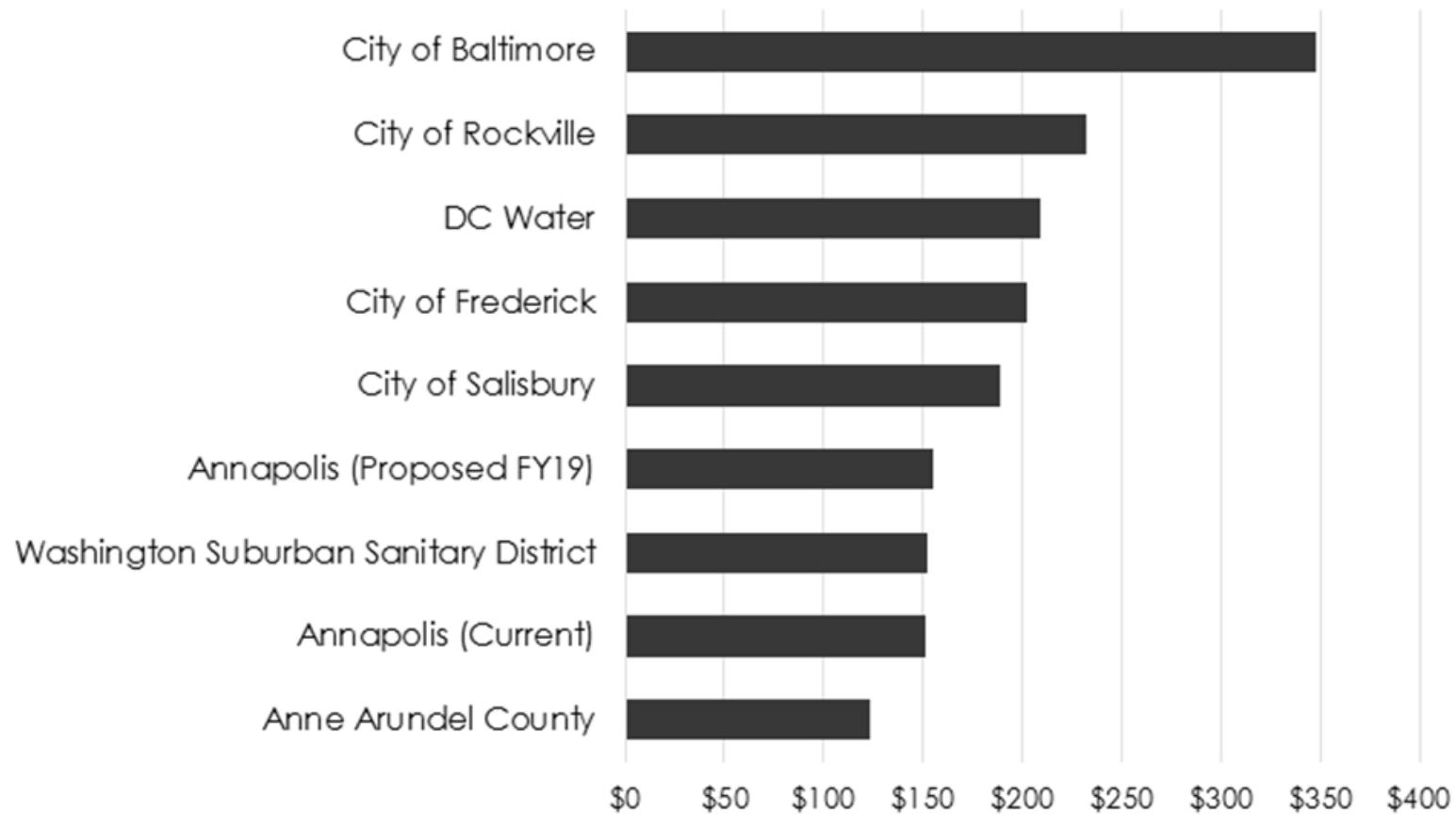
Sewer Bill Comparison

Average Quarterly Bill (12Kgal)



Combined Bill Comparison

Average Quarterly Bill (12Kgal)



Discussion

