

City of Annapolis

Enterprise Fund Rate
Studies

April 25, 2023



Agenda

1 Water and Sewer Fund

2 Stormwater Fund

3 Refuse Fund



Financial Plan Development

1) Revenue Requirements

- Expenses based on FY24 proposed budget escalated at line-item level using cost indices and staff input
- 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

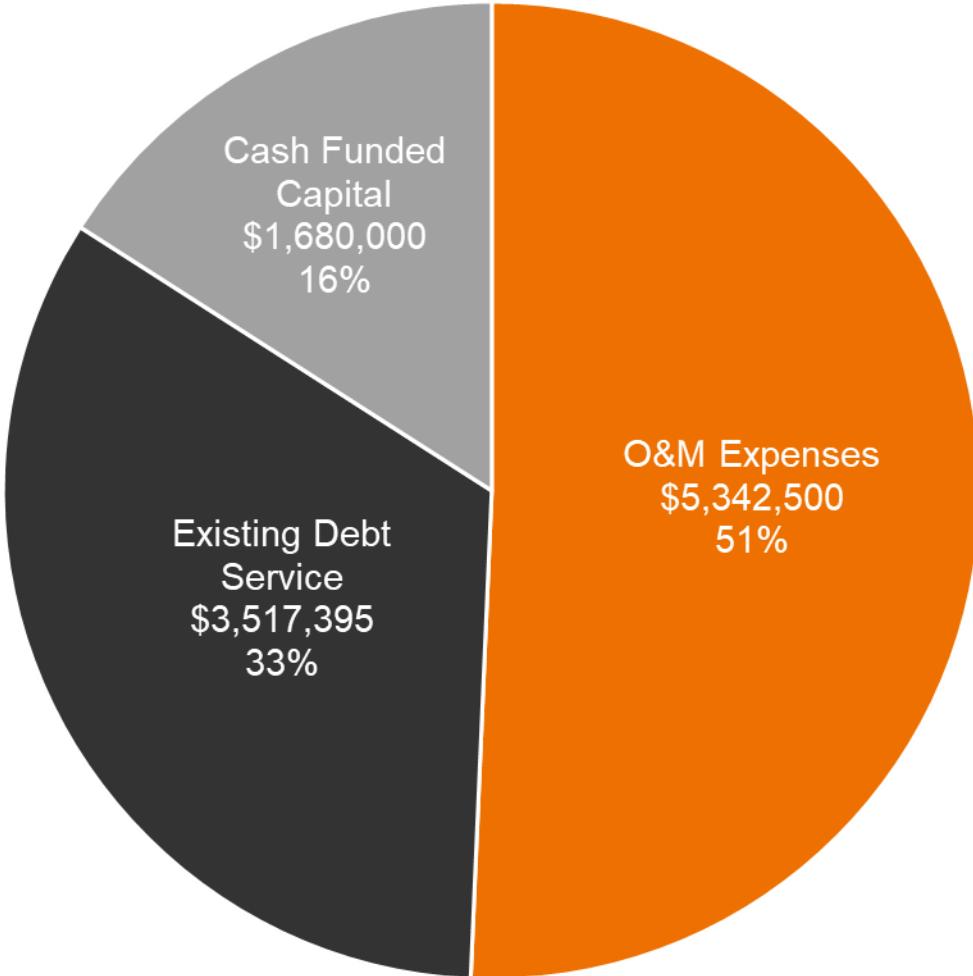
3) Evaluate Key Metrics

- Establish/maintain minimum reserve balances
- Meet debt service requirements

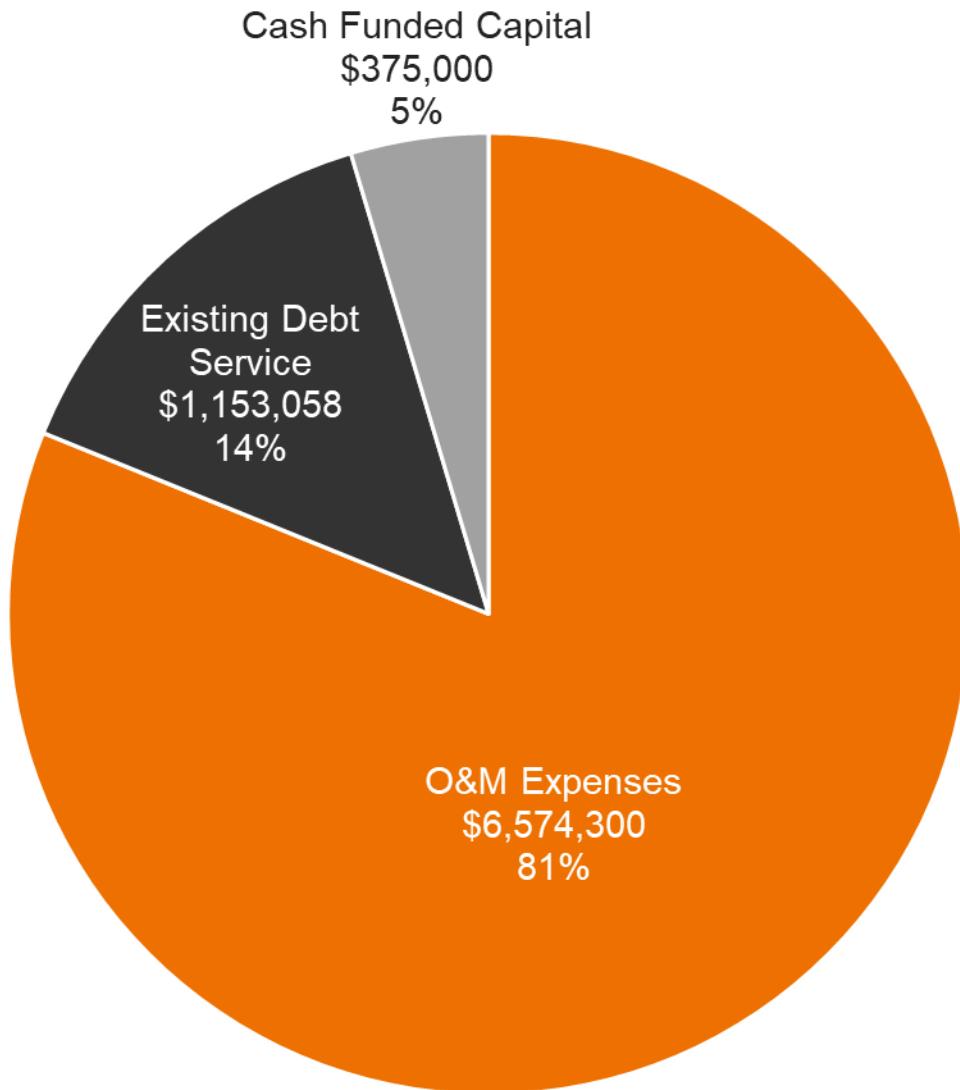
1 Water and Sewer Enterprise Fund



FY24 Water Revenue Requirements



FY24 Sewer Revenue Requirements



Water Revenue Sufficiency

	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33
Total Operating Expenses	\$5.34	\$5.48	\$5.66	\$5.84	\$6.03	\$6.22	\$6.43	\$6.63	\$6.85	\$7.07
Capital Expenses										
Cash Funded Capital	\$1.68	\$1.47	\$1.47	\$1.49	\$1.47	\$1.47	\$1.47	\$1.47	\$1.47	\$1.47
Existing Debt Service	\$3.52	\$3.51	\$3.50	\$3.50	\$3.50	\$3.50	\$3.47	\$3.46	\$3.55	\$3.55
Projected Debt Service	\$0.28	\$0.53	\$0.76	\$0.99	\$1.22	\$1.44	\$1.67	\$1.90	\$2.13	\$2.35
Total Capital Expenses	\$5.48	\$5.51	\$5.72	\$5.98	\$6.18	\$6.42	\$6.61	\$6.83	\$7.15	\$7.37
Total Water Expenses										
Current Water Revenues*	\$9.63									

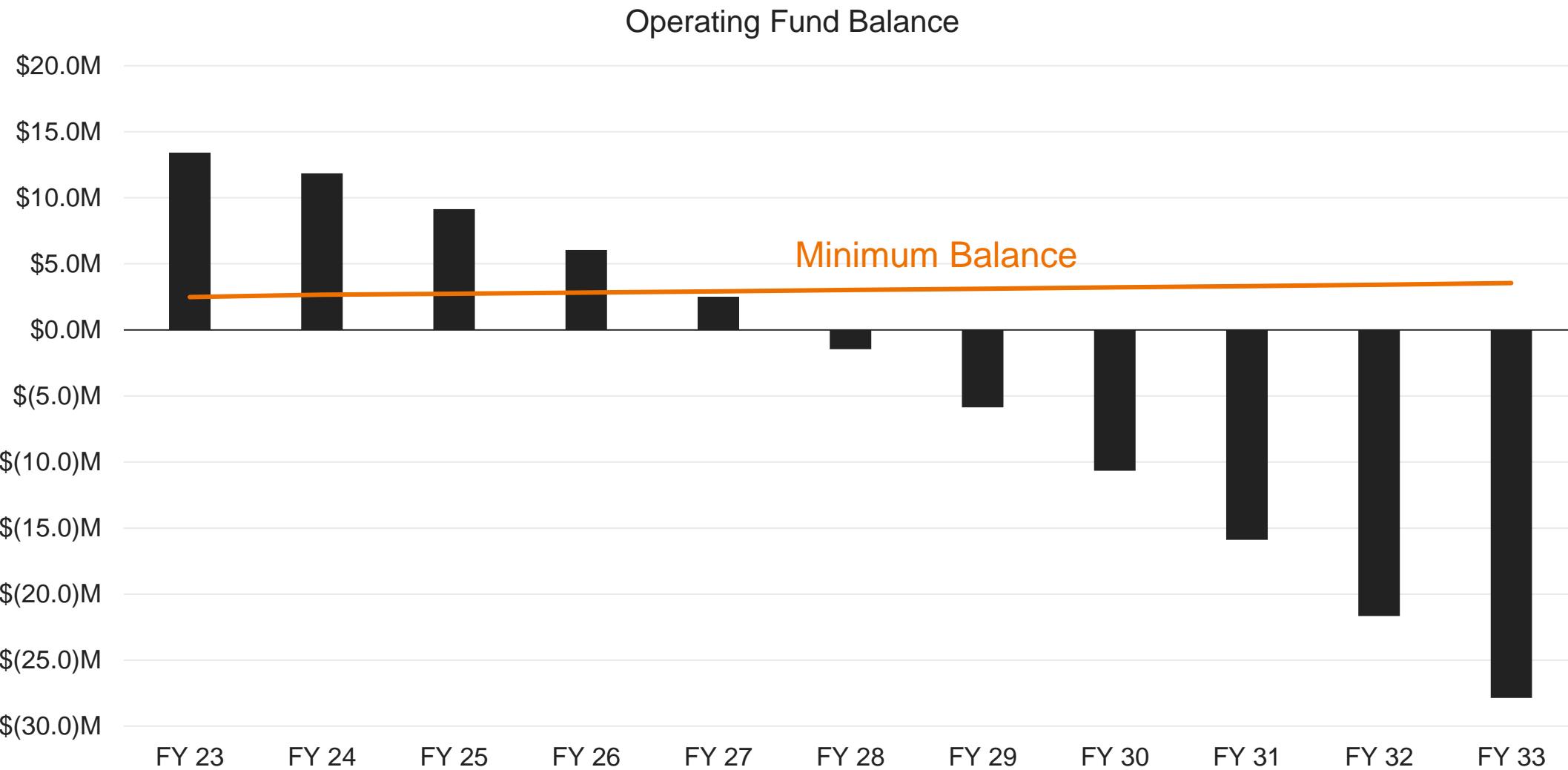
**Revenues at current rates with no increases*

Sewer Revenue Sufficiency

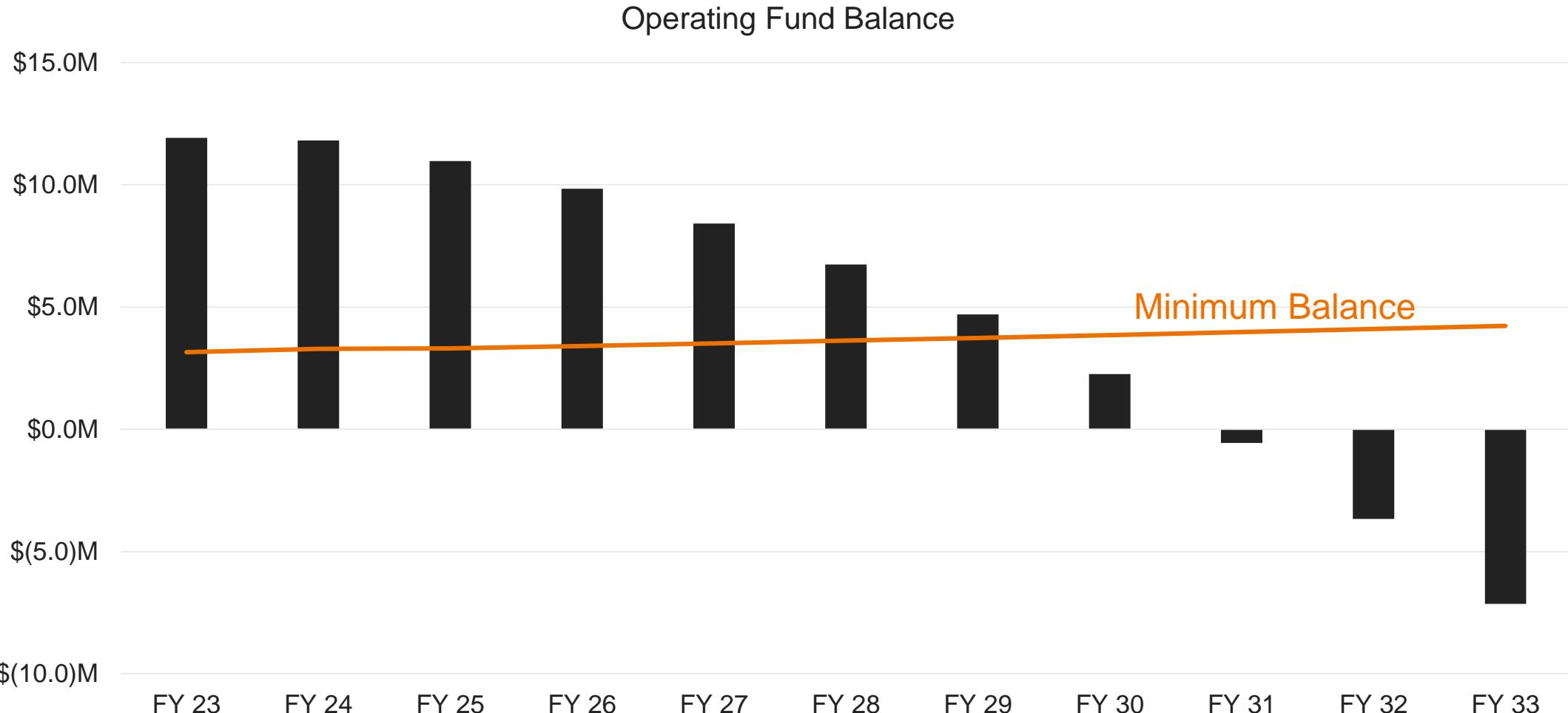
	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33
Total Operating Expenses	\$6.57	\$6.61	\$6.82	\$7.03	\$7.25	\$7.48	\$7.71	\$7.95	\$8.19	\$8.45
Capital Expenses										
Cash Funded Capital	\$0.38	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68
Existing Debt Service	\$1.15	\$1.15	\$1.15	\$1.14	\$1.08	\$1.08	\$1.12	\$1.11	\$1.05	\$1.05
Projected Debt Service	\$0.06	\$0.16	\$0.27	\$0.37	\$0.48	\$0.58	\$0.69	\$0.79	\$0.89	\$1.00
Total Capital Expenses	\$1.59	\$1.99	\$2.09	\$2.18	\$2.23	\$2.34	\$2.48	\$2.57	\$2.62	\$2.73
Total Sewer Expenses	\$8.16	\$8.60	\$8.91	\$9.21	\$9.48	\$9.81	\$10.19	\$10.52	\$10.81	\$11.18
Current Sewer Revenues*	\$8.28	\$8.28	\$8.28	\$8.28						

*Revenues at current rates with no increases

Water Fund Forecast - No Rate Increases



Sewer Fund Forecast - No Rate Increases



Financial Plan Recommendation

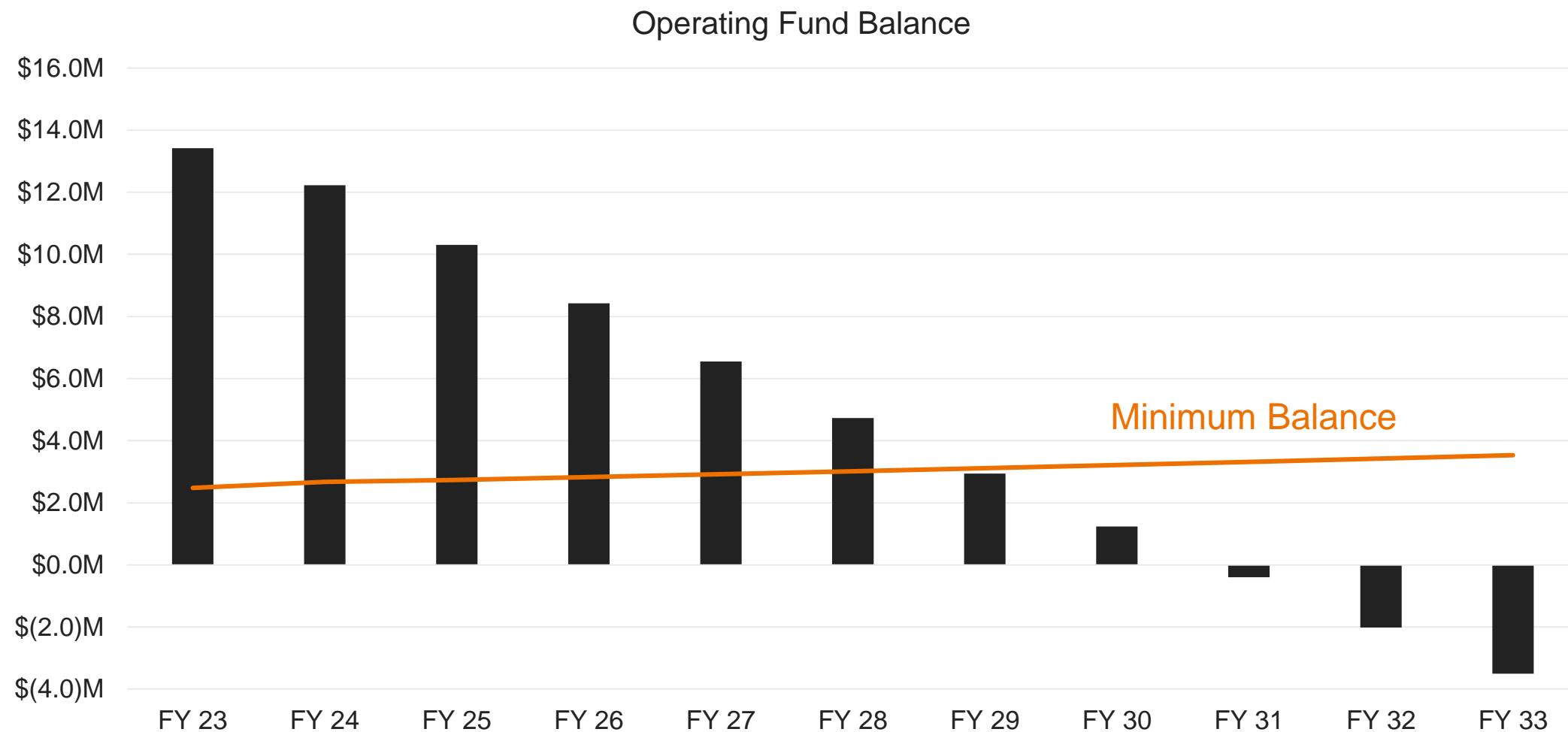
Rate Adjustments	FY 24	FY 25	FY 26	FY 27
Water	4.75%	4.75%	4.75%	4.75%
Sewer	3.00%	3.00%	3.00%	3.00%

Financial plan will allow for:

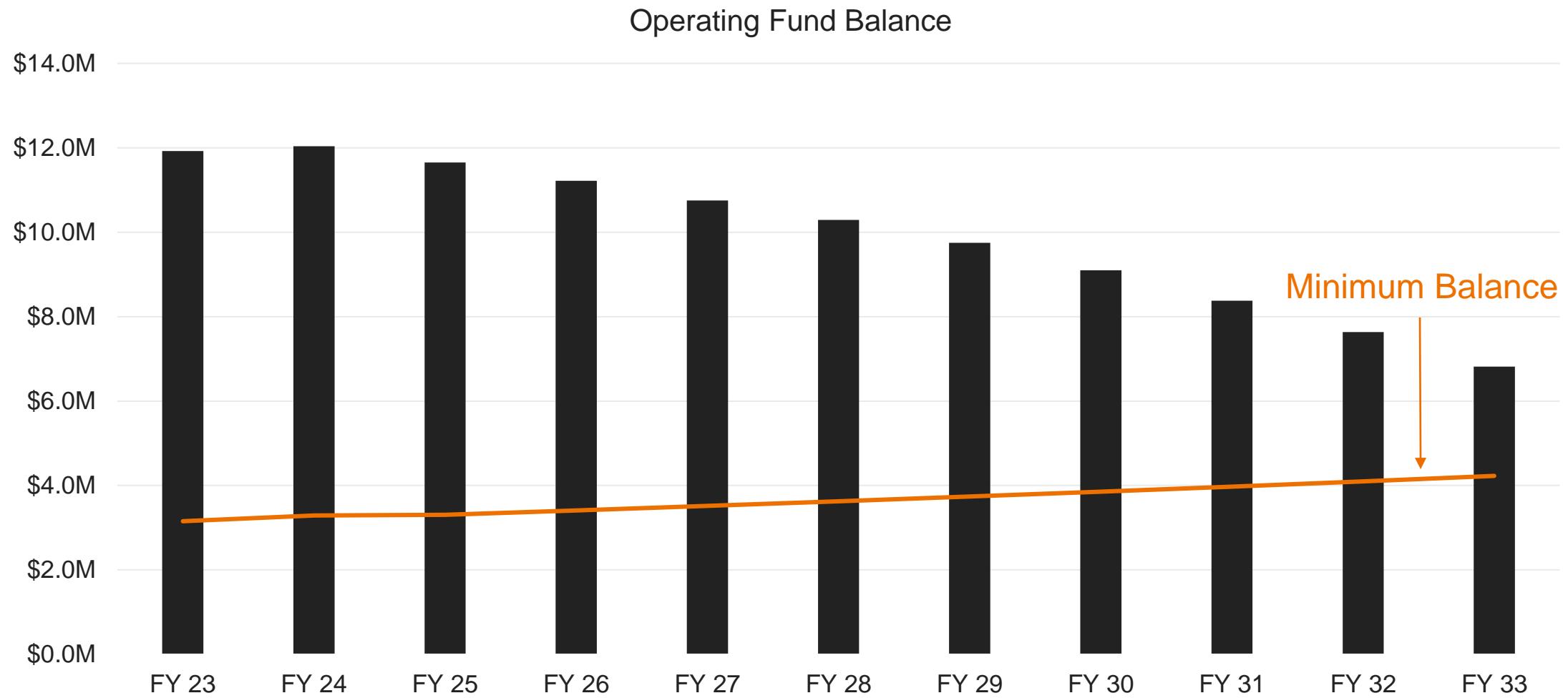
- Funding of water and sewer system operating expenses, existing debt requirements, and future capital investments

Future increases will likely be necessary beyond FY 27

Water Fund Forecast - With Rate Increases



Sewer Fund Forecast - With Rate Increases

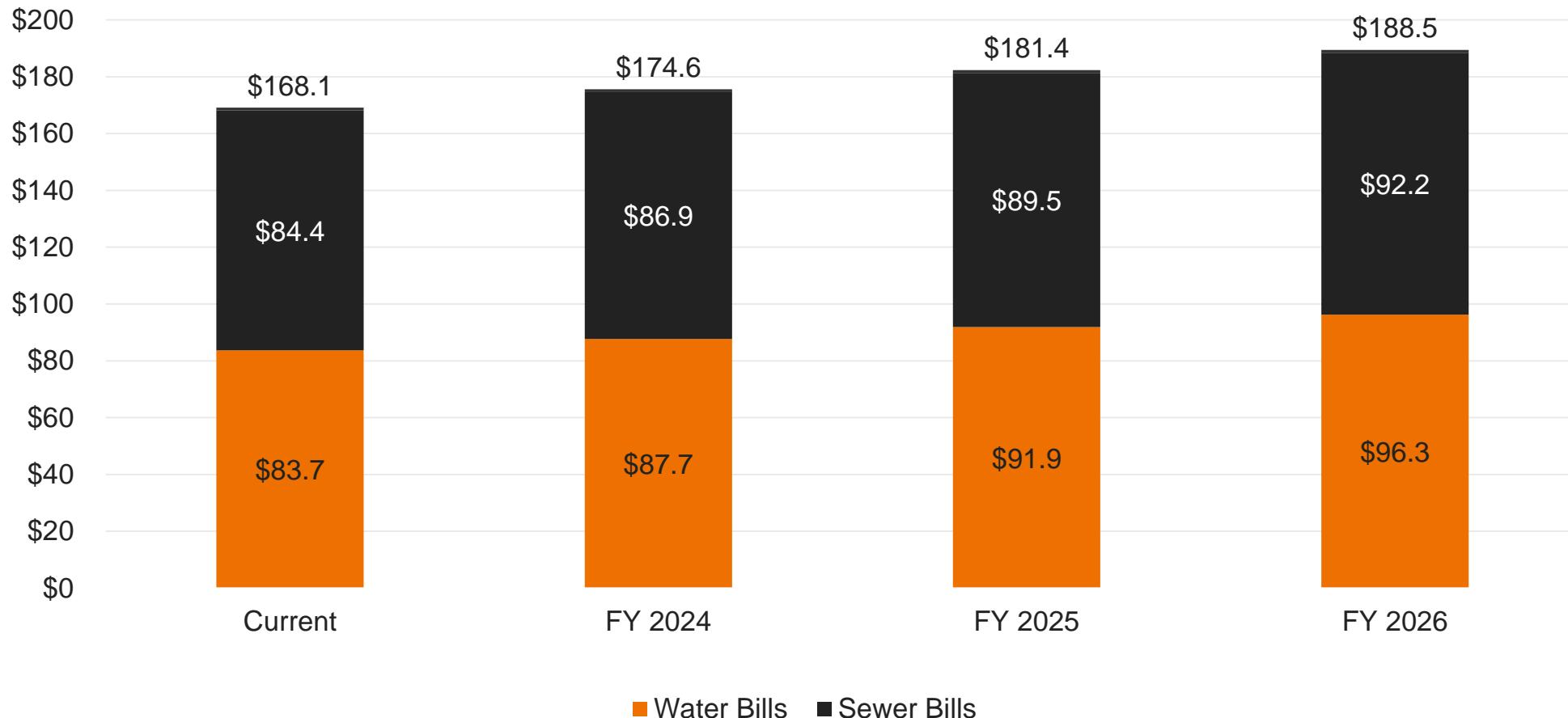


Recommended FY24 Water and Sewer Rates

Meter Size	Water Fixed Charge	Sewer Fixed Charge
1" or Less	\$13.78	\$13.84
1 ½"	\$68.90	\$69.22
2"	\$110.23	\$110.75
3"	\$220.47	\$221.49
4"	\$344.48	\$346.08
6"	\$688.96	\$692.16

Type	Usage Charge (per 1,000 gallons)
Residential	
Tier 1: 0 - 7,000 gallons	\$4.34
Tier 2: 7,000 - 20,000 gallons	\$8.71
Tier 3: Over 20,000 gallons	\$13.04
Non-Residential Water	\$6.47
Sewer Usage Rates	\$6.09

Average Residential Customer (12 Kgal) Quarterly Bill Projection

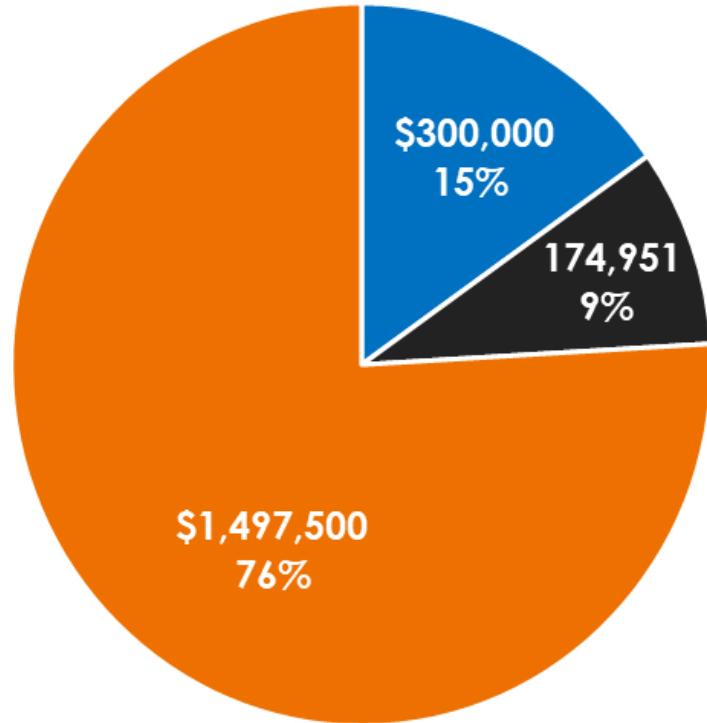


\$6.53 per quarter increase in average customer bill in FY24

2 Stormwater Enterprise Fund



FY24 Stormwater Revenue Requirements



- Cash Funded Capital
- Debt Service (Existing and New)
- O&M Expenses

- CIP spending has increased over the past couple years utilizing existing reserves
- Future CIP will be funded with **borrowing**
exception: CBT grant contribution
- O&M Expenses increased 10% over FY23 Budget

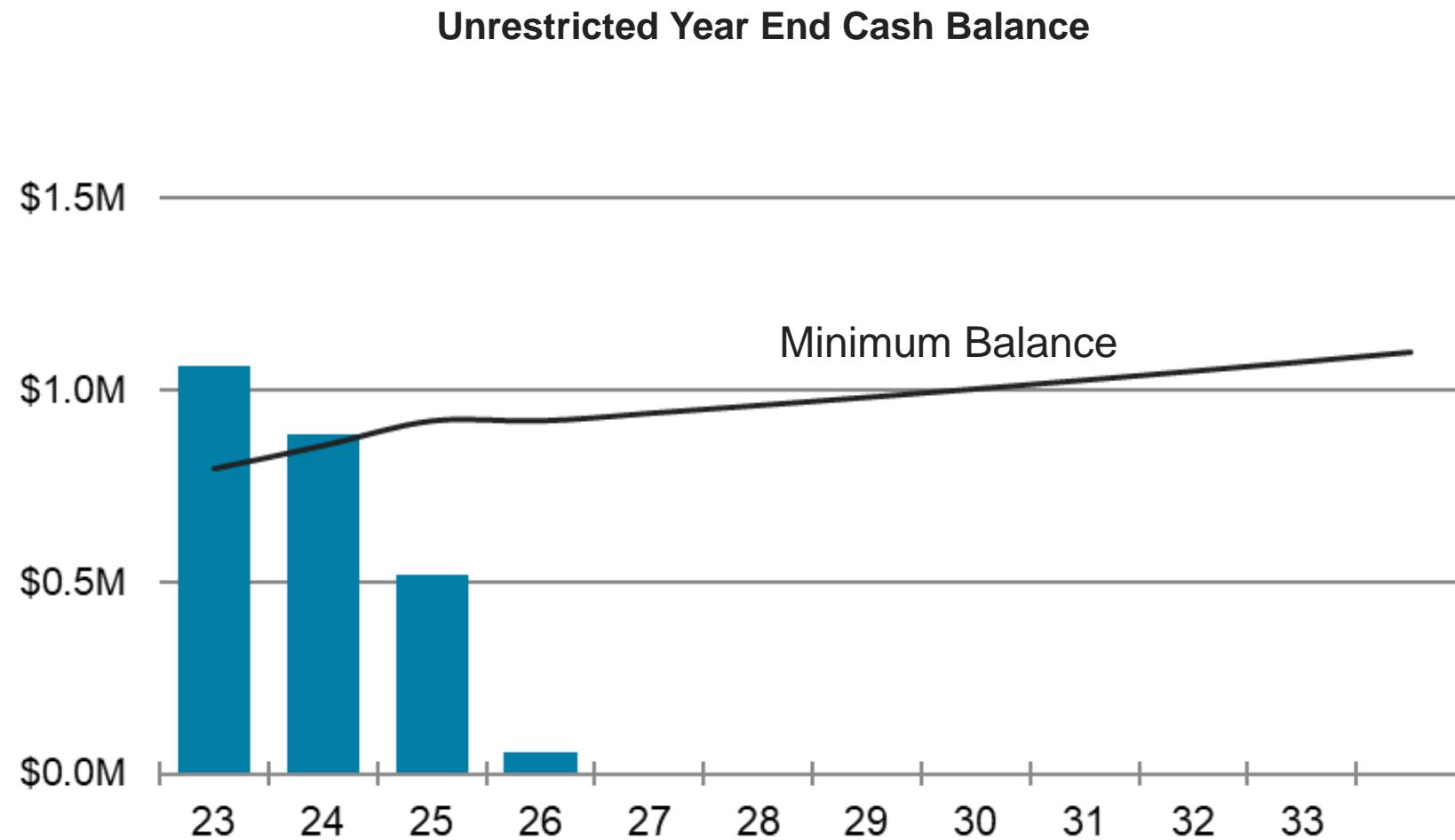
Stormwater Revenue Sufficiency

(\$ Million)	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33
Total Operating Expenses	\$1.50	\$1.50	\$1.55	\$1.60	\$1.64	\$1.69	\$1.75	\$1.80	\$1.86	\$1.91
Cash Funded Capital*	0.30	0.40	0.41	0.41	0.41	0.42	0.42	0.42	0.43	0.43
Existing and Future Debt Service	0.17	0.26	0.31	0.37	0.43	0.49	0.54	0.61	0.68	0.75
Total Capital Expenses	0.47	0.66	0.72	0.78	0.84	0.91	0.96	1.03	1.11	1.18
Total Stormwater Expenses	\$1.97	\$2.16	\$2.27	\$2.37	\$2.48	\$2.60	\$2.71	\$2.83	\$2.96	\$3.09
Revenues from Existing Stormwater Fees**	\$1.79	\$1.80	\$1.80	\$1.80	\$1.81	\$1.81	\$1.82	\$1.82	\$1.82	1.83

*CBT Grant Contribution

**Assumes no increases in stormwater fees

Stormwater Fund Forecast - No Increases

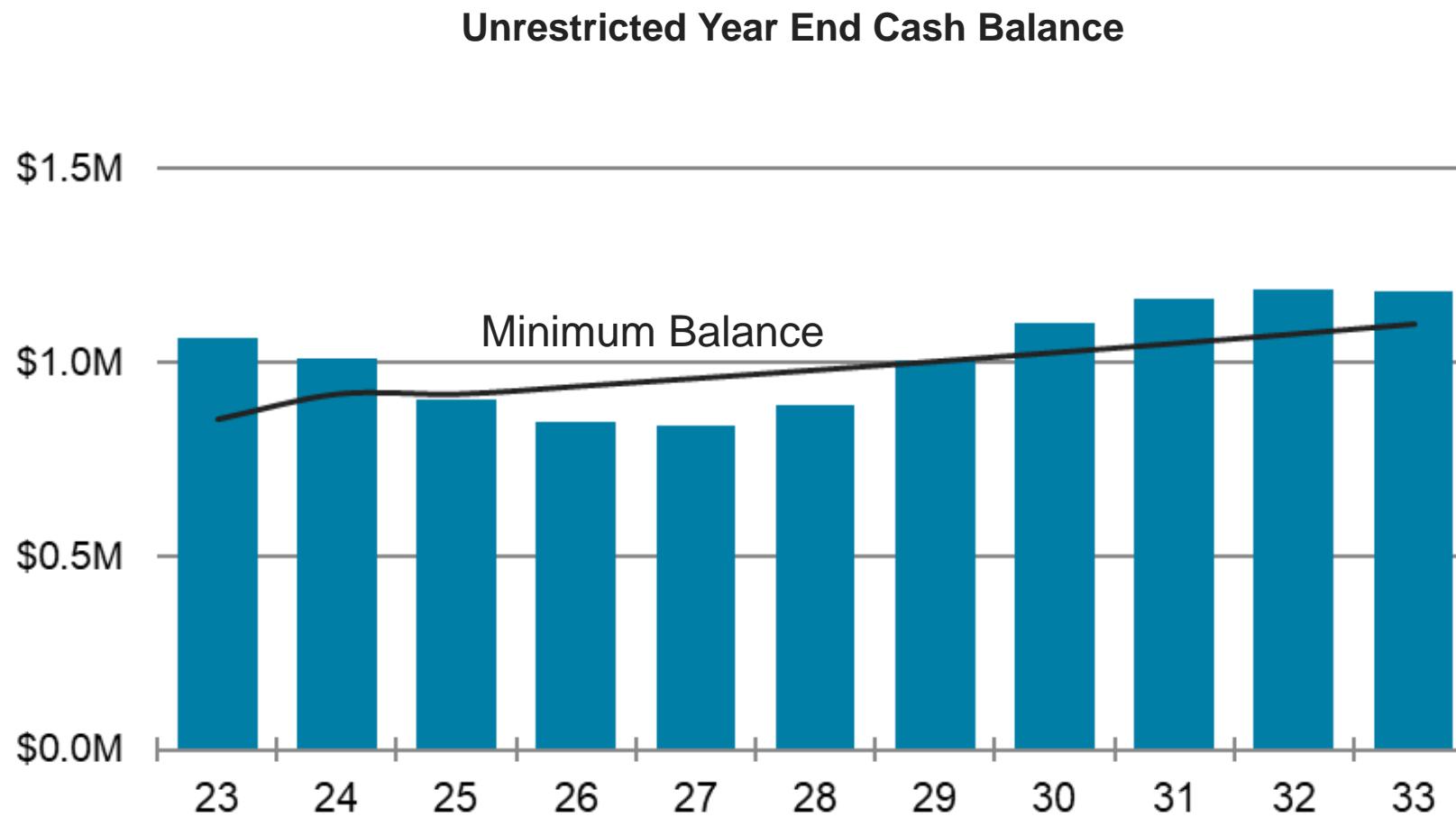


Financial Plan Considerations

- The City will need to continue to escalate stormwater fees to meet capital needs.
- Magnitude of adjustments
 - 1) Capital funding plan(cash and bond)
 - 2) Capital execution schedule
- 7% increases in stormwater fees are necessary to meet funding needs of stormwater system

	FY 24	FY 25	FY 26	FY 27
Stormwater Fee Increase	7.0%	7.0%	7.0%	7.0%

Stormwater Fund Forecast - with Increases



**Assumes annual increases in stormwater fees, 7% FY 24 – FY 29 followed by 3%*

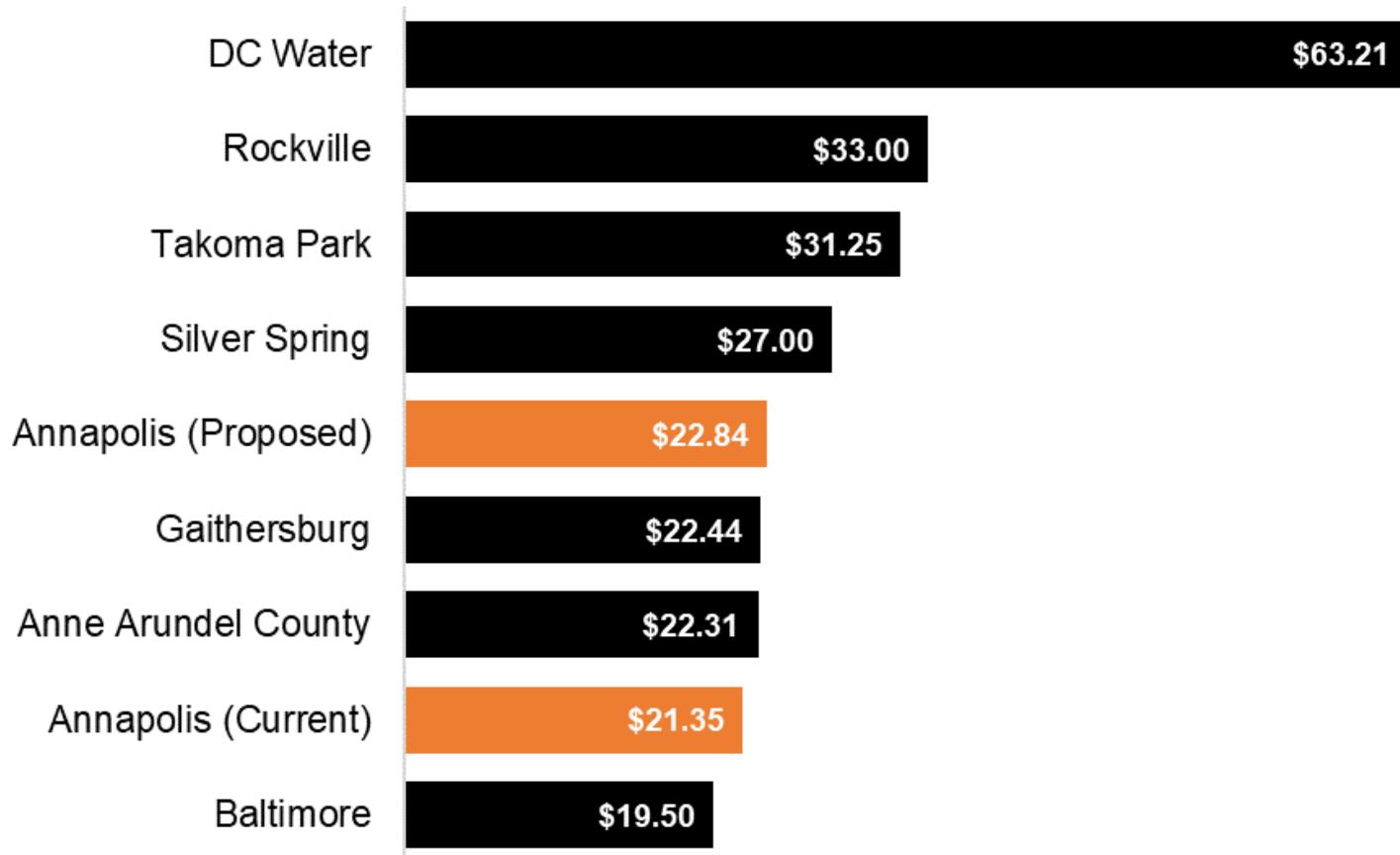
FY 24 Stormwater Fee Recommendation

Quarterly Stormwater Fees

Residential	Current	FY 24
Single Family	\$21.35	\$22.84
Multi-Family (per unit)	\$10.68	\$11.42
Non-Residential (Impervious Area)	Current	FY 24
Tier 1: 0 - 5,000 sq. ft.	\$21.35	\$22.84
Tier 2: 5,001 - 10,000 sq. ft.	\$105.61	\$113.00
Tier 3: 10,001 - 80,000 sq. ft.	\$446.03	\$477.25
Over 80,000 sq. ft	\$1,379.66	\$1,476.24

Stormwater Fee Comparison

Quarterly Stormwater Bill Comparison - Single Family Residential



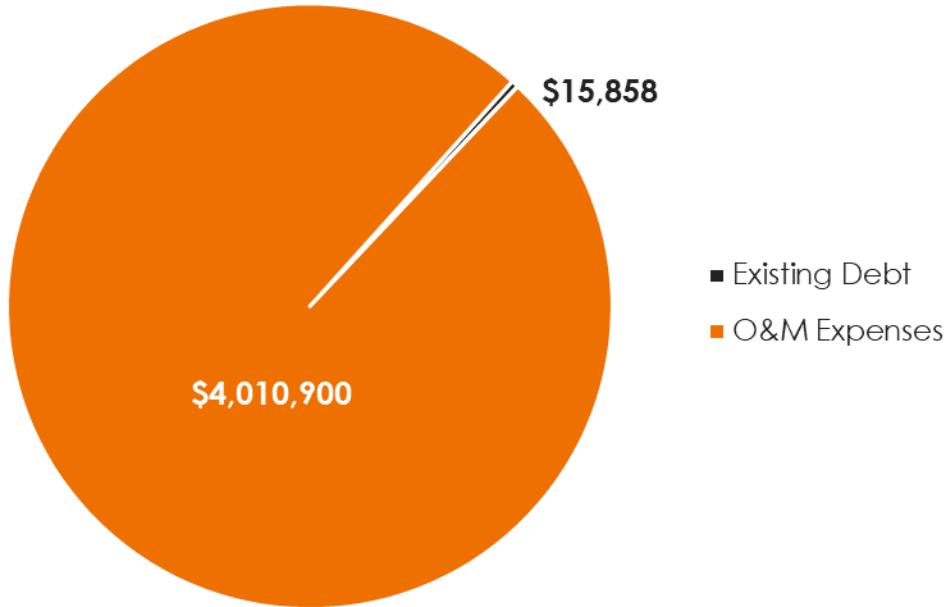


3 Refuse Enterprise Fund

Refuse Background

- City contracts out majority of the services provided within the refuse program
- In 2019, the City entered a new multi-year refuse and recycling contract which substantially increased the costs of the refuse program
- Refuse fees have been increased over past three years to begin aligning revenues with expenditures

FY24 Refuse Revenue Requirements



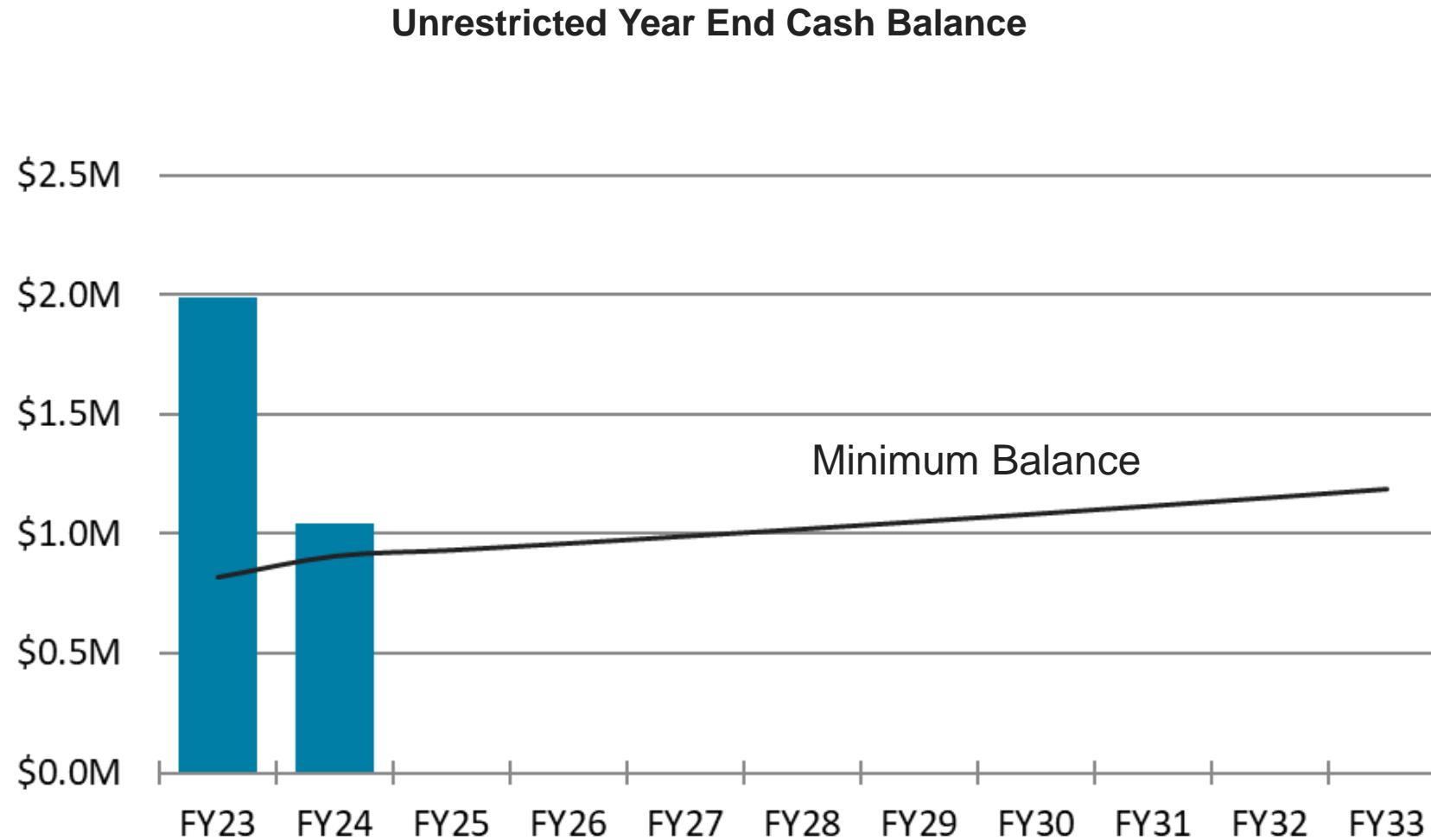
- 73% of O&M Expense are related to contracted services
- O&M Expenses have increased 33% over the past 4 years (FY21 Actual – FY24 Budget)

Refuse Revenue Sufficiency

(\$ Million)	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33
Operating Expenses	\$4.01	\$4.12	\$4.25	\$4.38	\$4.51	\$4.65	\$4.79	\$4.94	\$5.09	\$5.24
Existing Debt Service	0.02	0.02	0.02	0.02	0.02	0.02	0.00	0.00	0.00	0.00
Cash Funded Capital*	0.00	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00	0.00
Total Refuse Expenses	4.03	4.14	4.26	4.39	4.53	4.87	4.79	4.94	5.09	5.24
Revenues from Existing Refuse Fees	3.08	3.09	3.10	3.11	3.11	3.26	3.36	3.46	3.56	3.67

*New refuse collection truck in FY 29

Refuse Fund Balance - No Increases

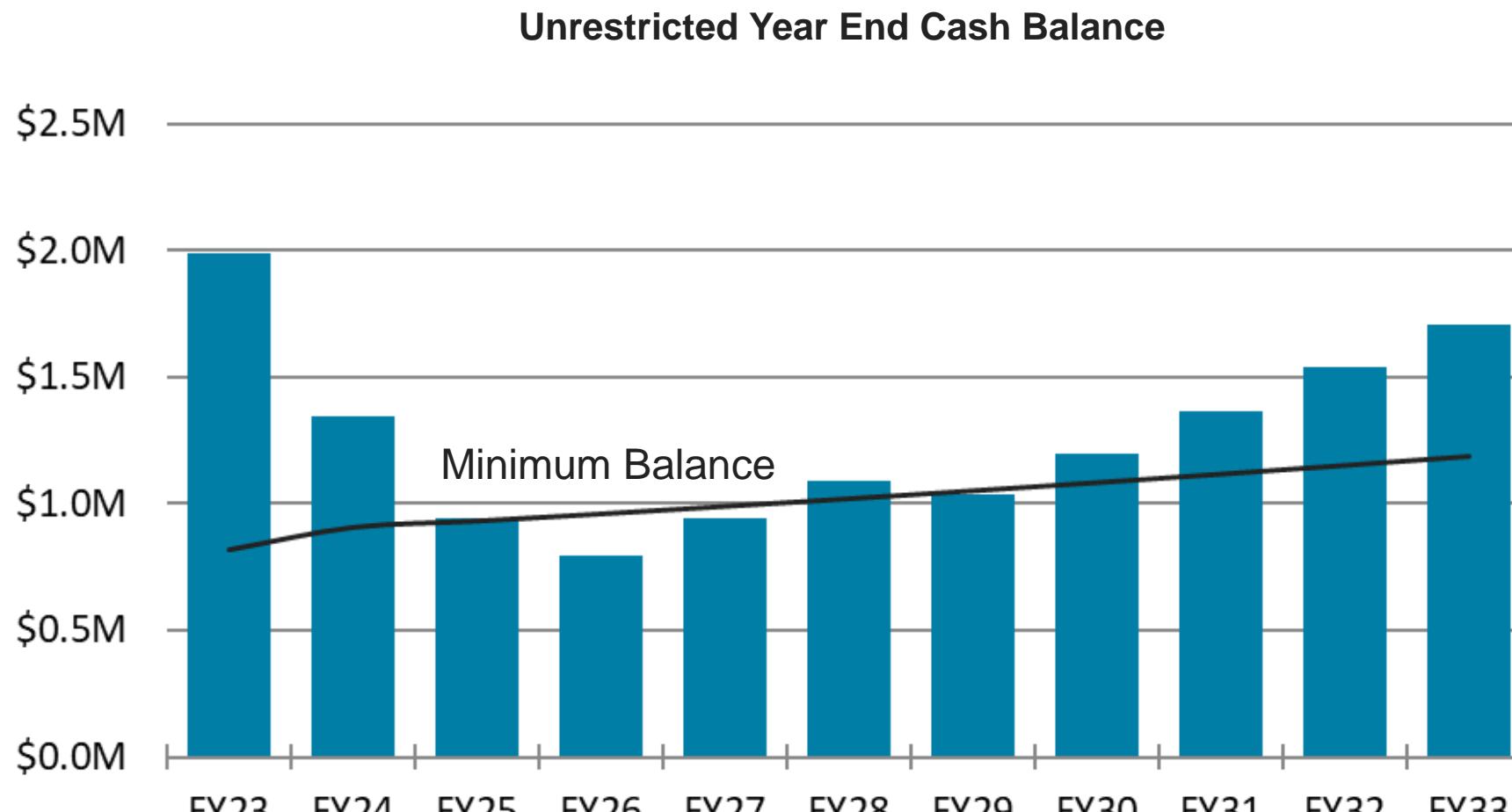


Financial Plan Considerations

- Refuse program expenditures currently exceed the program revenues
- Program expenditures are anticipated to continue to escalate
- To ensure sustainability within the refuse program annual fee adjustments will be necessary

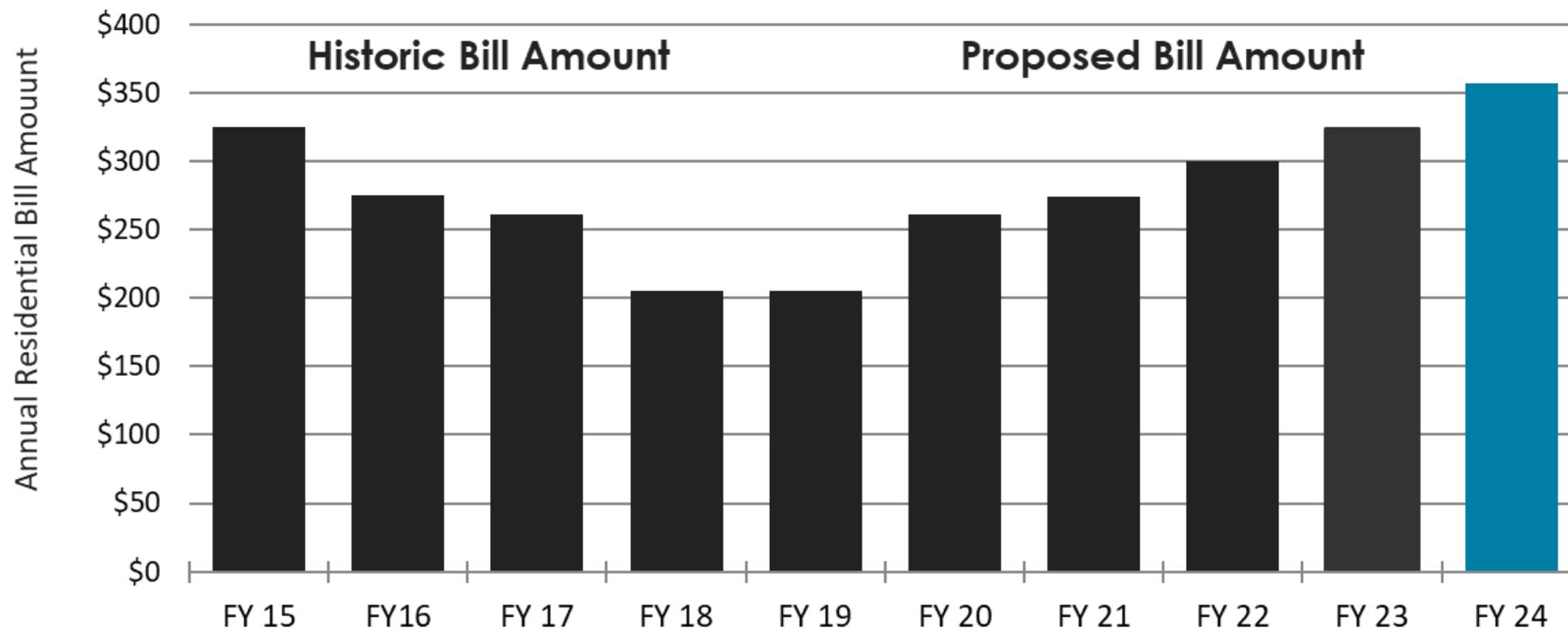
	FY 24	FY 25	FY 26	FY 27
Refuse Fee Increase	10.0%	10.0%	10.0%	10.0%

Refuse Fund Balance - with Increases



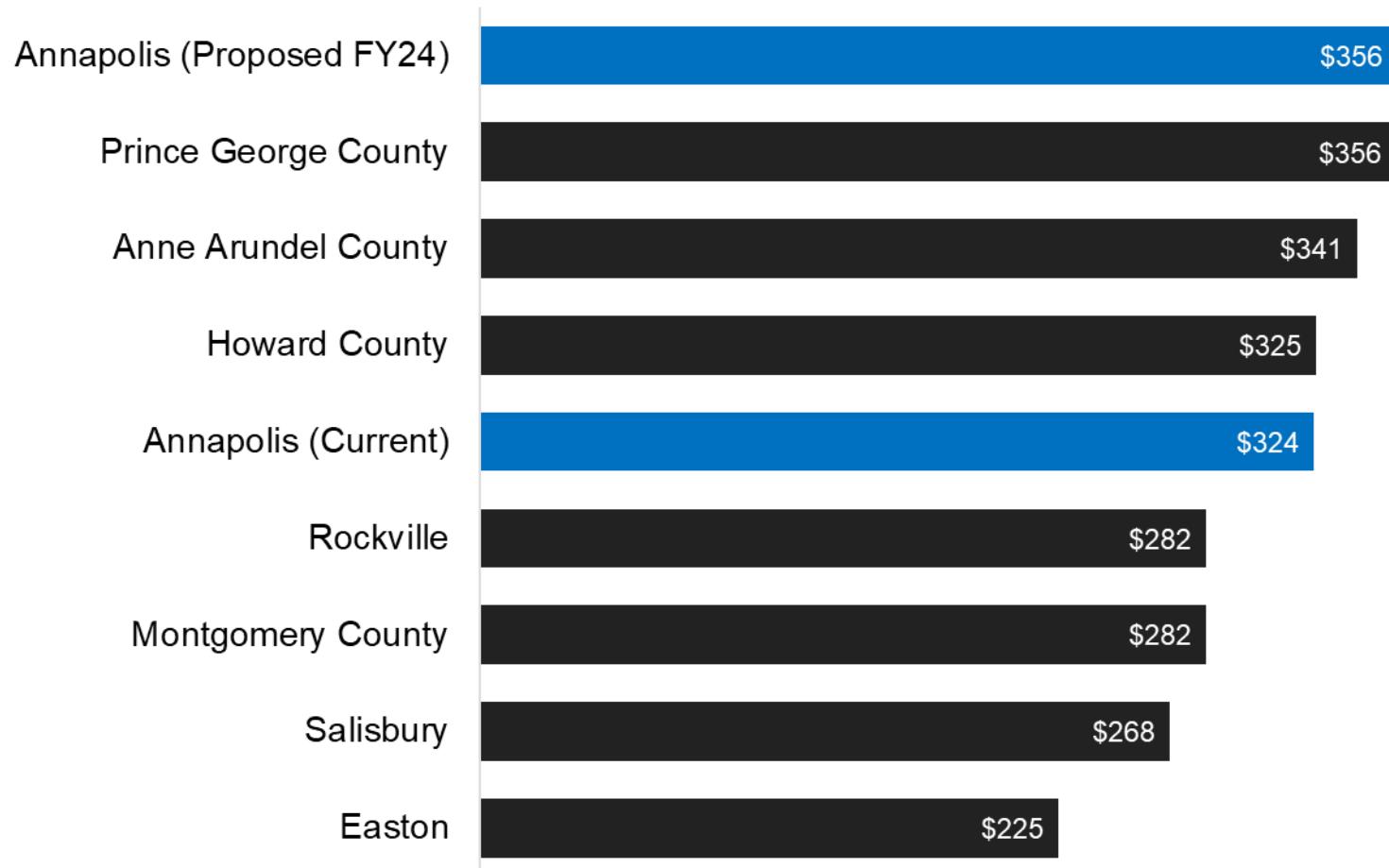
**Assumes annual increases in refuse fees of 3% annually after FY27*

Historical and Recommended FY 24 Refuse Fee



Refuse Fee Comparison

Annual Refuse Fee Comparison - Single Family Residential





Questions / Discussion