

A close-up, high-speed photograph of water splashing, creating a dynamic and textured blue and white scene. The water is in motion, with droplets and ripples visible, set against a blurred background of more water.

# 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

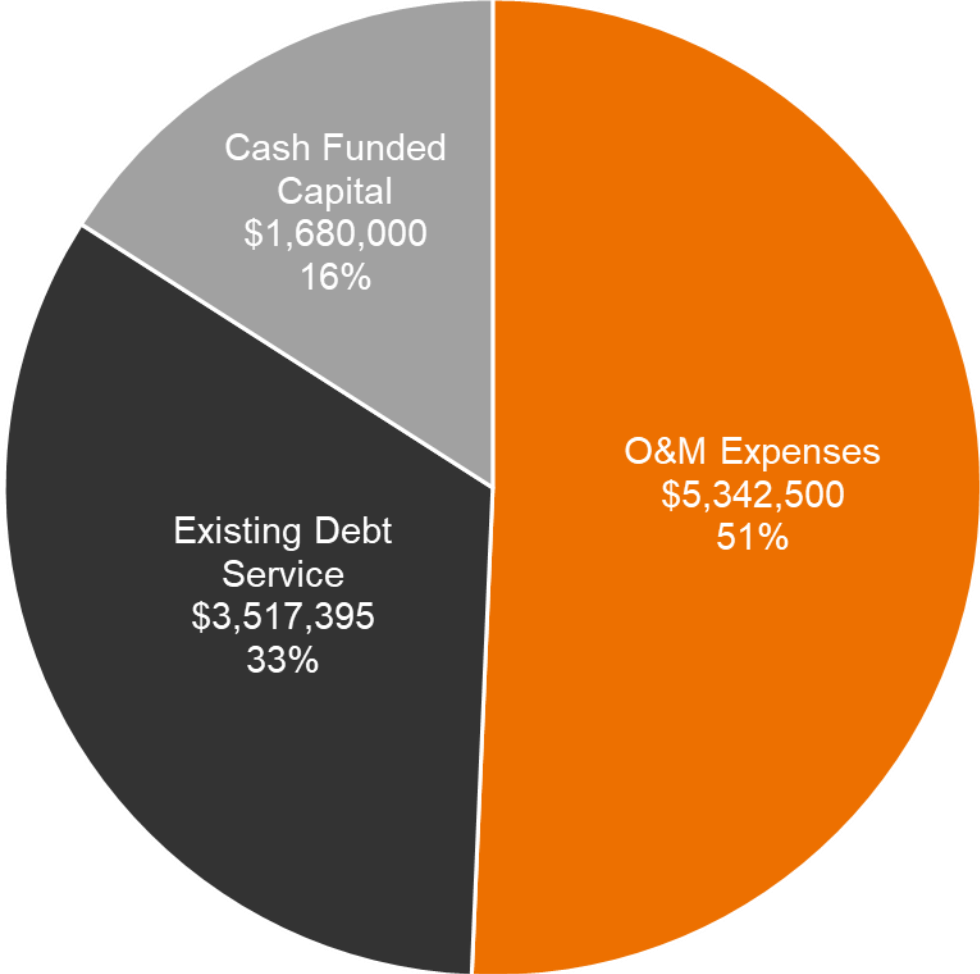
## 3) Evaluate Key Metrics

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

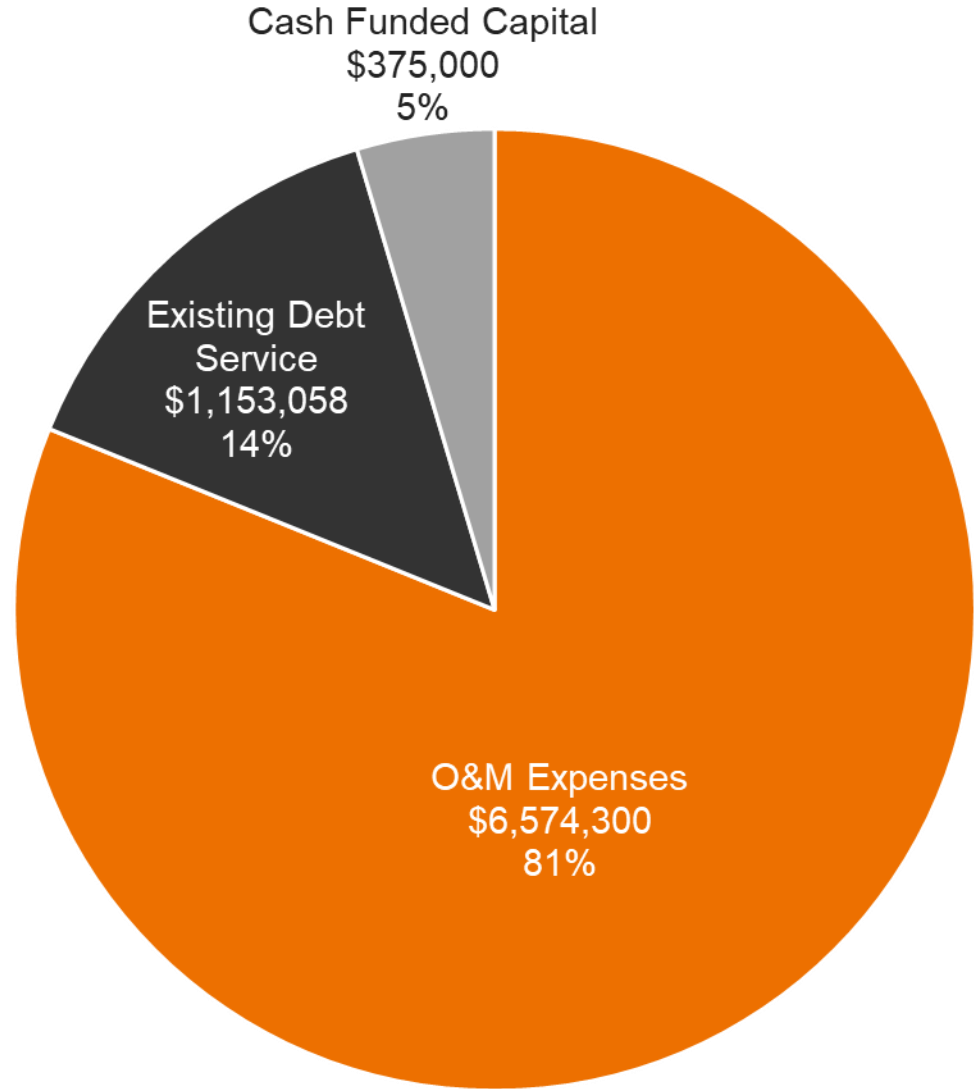
# 1 Water and Sewer Enterprise Fund



# 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
<b>Total Operating Expenses</b>	\$5.34	\$5.48	\$5.66	\$5.84	\$6.03	\$6.22	\$6.43	\$6.63	\$6.85	\$7.07
<b>Capital Expenses</b>										
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
<b>Total Capital Expenses</b>	<b>\$5.48</b>	<b>\$5.51</b>	<b>\$5.72</b>	<b>\$5.98</b>	<b>\$6.18</b>	<b>\$6.42</b>	<b>\$6.61</b>	<b>\$6.83</b>	<b>\$7.15</b>	<b>\$7.37</b>
<b>Total Water Expenses</b>	<b>\$10.82</b>	<b>\$10.99</b>	<b>\$11.38</b>	<b>\$11.82</b>	<b>\$12.21</b>	<b>\$12.64</b>	<b>\$13.03</b>	<b>\$13.47</b>	<b>\$14.00</b>	<b>\$14.45</b>
<b>Current Water Revenues*</b>	<b>\$9.63</b>	<b>\$9.63</b>	<b>\$9.63</b>	<b>\$9.63</b>	<b>\$9.63</b>	<b>\$9.63</b>	<b>\$9.63</b>	<b>\$9.63</b>	<b>\$9.63</b>	<b>\$9.63</b>

*\*Revenues at current rates with no increases*

# Sewer Revenue Sufficiency

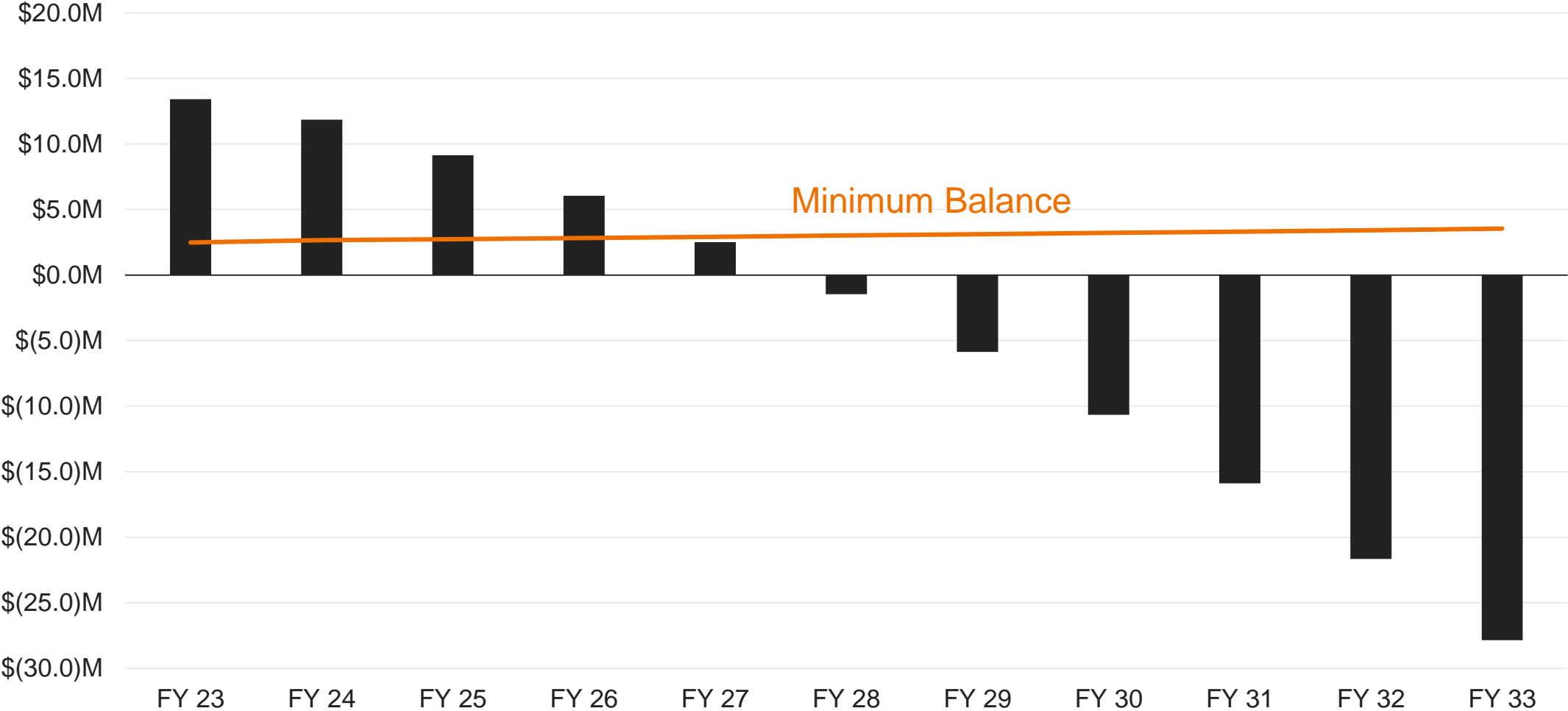
	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33
<b>Total Operating Expenses</b>	\$6.57	\$6.61	\$6.82	\$7.03	\$7.25	\$7.48	\$7.71	\$7.95	\$8.19	\$8.45
<b>Capital Expenses</b>										
Cash Funded Capital	\$0.38	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68
Existing Debt Service	\$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
<b>Total Capital Expenses</b>	<b>\$1.59</b>	<b>\$1.99</b>	<b>\$2.09</b>	<b>\$2.18</b>	<b>\$2.23</b>	<b>\$2.34</b>	<b>\$2.48</b>	<b>\$2.57</b>	<b>\$2.62</b>	<b>\$2.73</b>
<b>Total Sewer Expenses</b>	<b>\$8.16</b>	<b>\$8.60</b>	<b>\$8.91</b>	<b>\$9.21</b>	<b>\$9.48</b>	<b>\$9.81</b>	<b>\$10.19</b>	<b>\$10.52</b>	<b>\$10.81</b>	<b>\$11.18</b>
<b>Current Sewer Revenues*</b>	<b>\$8.28</b>	<b>\$8.28</b>	<b>\$8.28</b>	<b>\$8.28</b>	<b>\$8.28</b>	<b>\$8.28</b>	<b>\$8.28</b>	<b>\$8.28</b>	<b>\$8.28</b>	<b>\$8.28</b>

*\*Revenues at current rates with no increases*

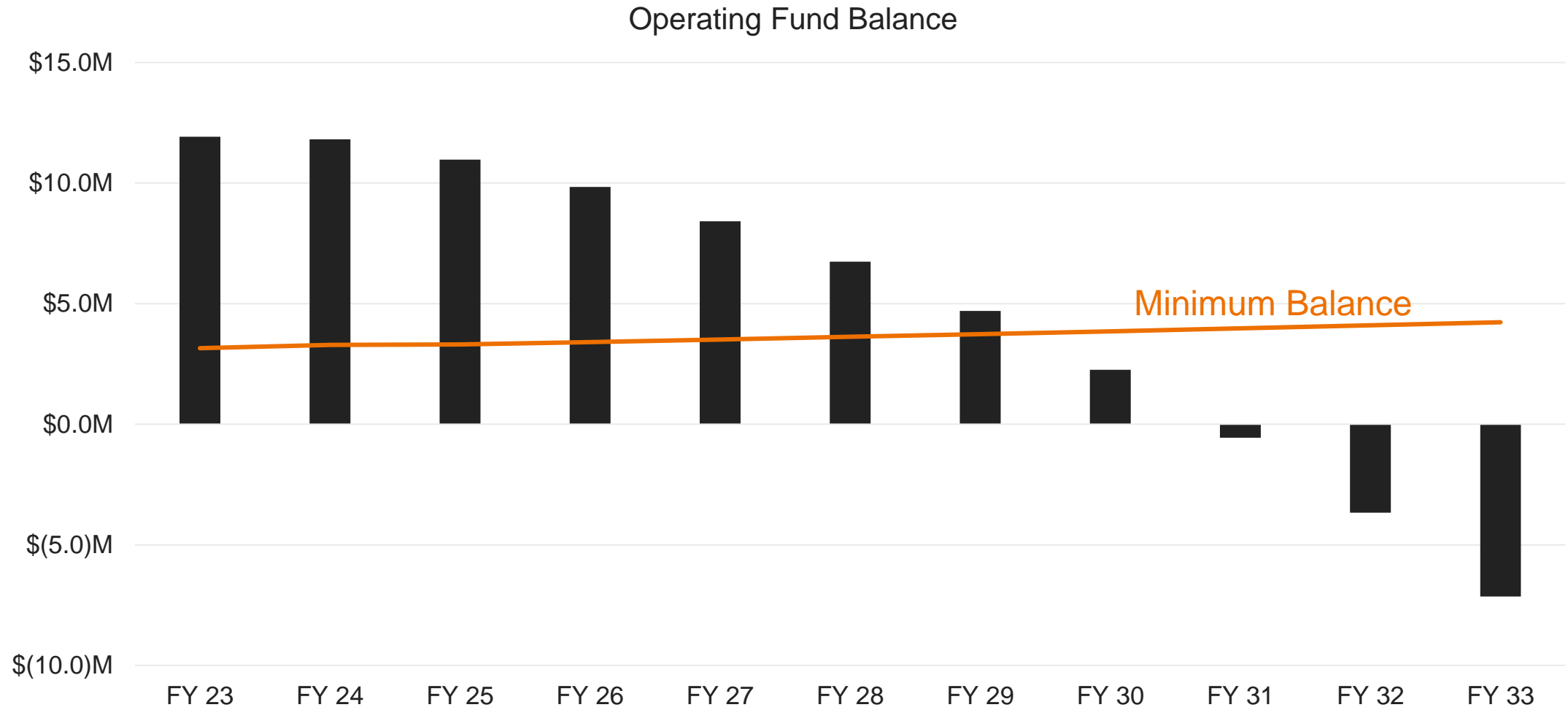


# Water Fund Forecast - No Rate Increases

Operating Fund Balance



# Sewer Fund Forecast - No Rate Increases



# Financial Plan Recommendation

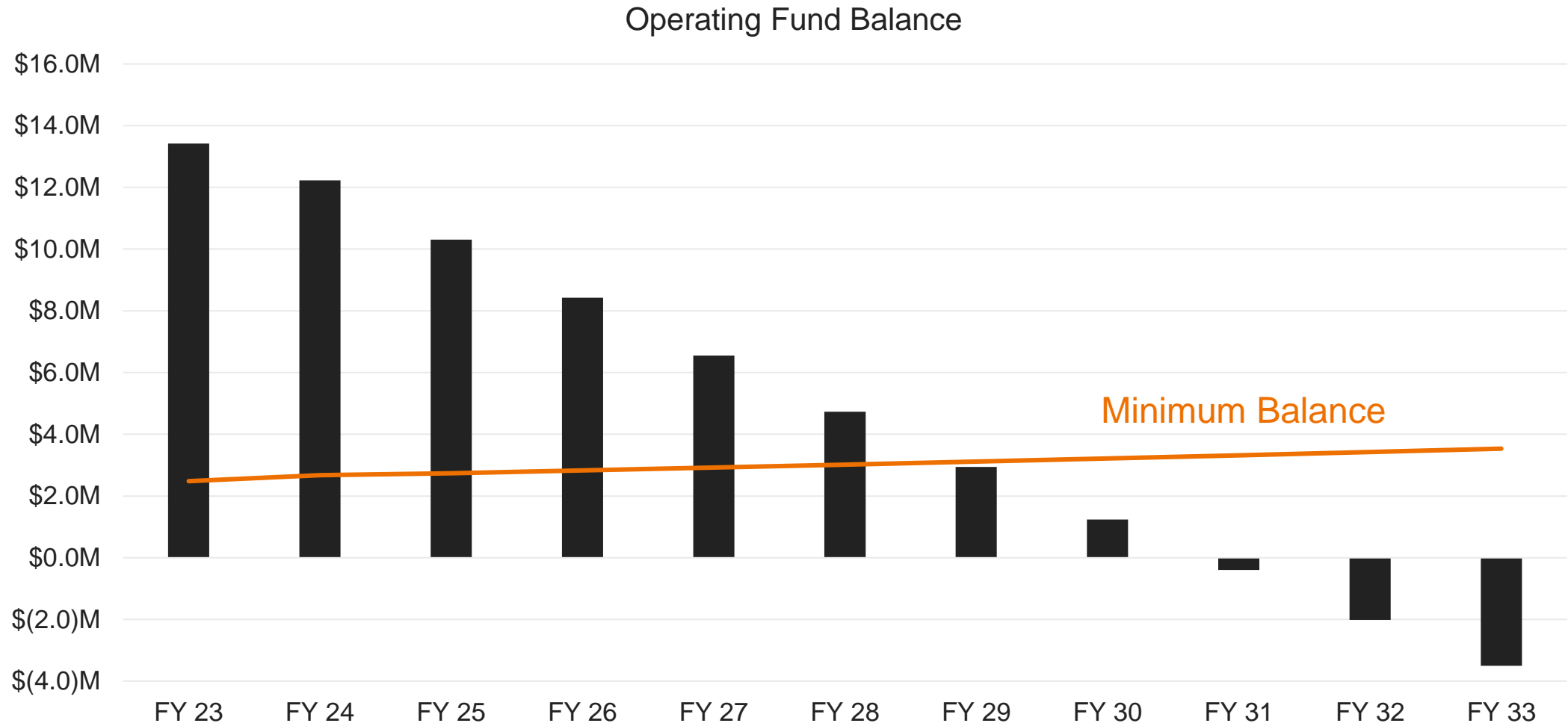
Rate Adjustments	FY 24	FY 25	FY 26	FY 27
Water	<b>4.75%</b>	4.75%	4.75%	4.75%
Sewer	<b>3.00%</b>	3.00%	3.00%	3.00%

Financial plan will allow for:

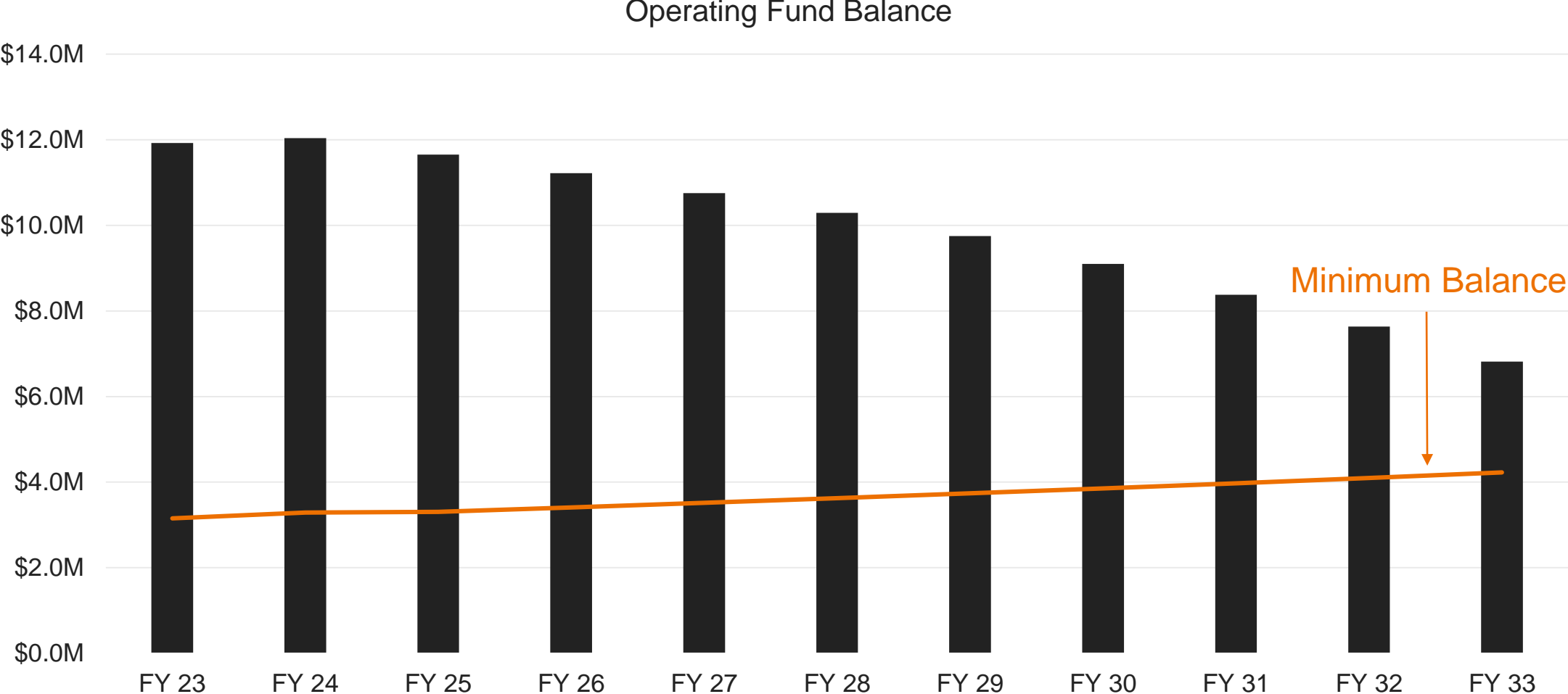
- Funding of water and sewer system operating expenses, existing debt requirements, and future capital investments

Future increases will likely be necessary beyond FY 27

# Water Fund Forecast - With Rate Increases



# Sewer Fund Forecast - With Rate Increases

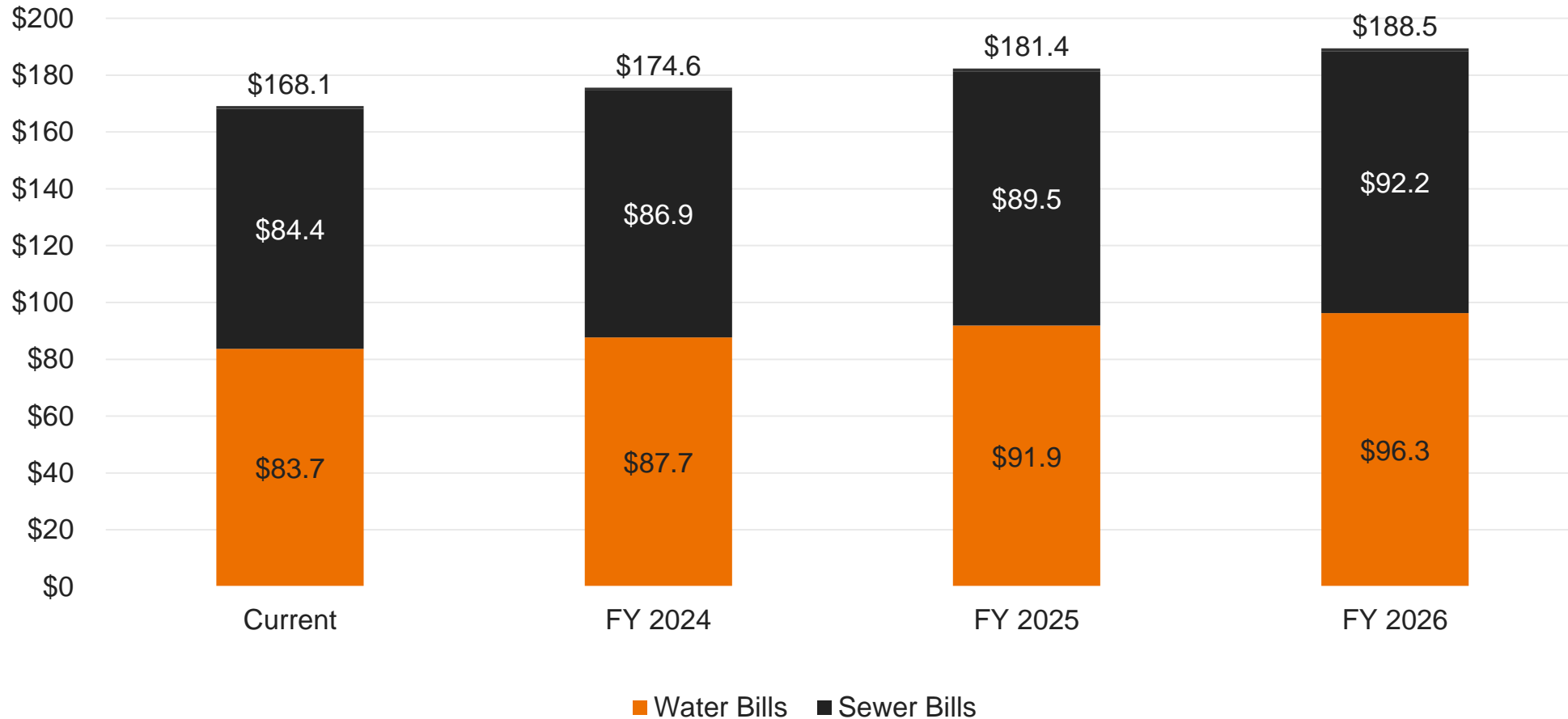


# Recommended FY24 Water and Sewer Rates

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)
<b>Residential</b>	
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
<b>Non-Residential Water</b>	\$6.47
<b>Sewer Usage Rates</b>	\$6.09

# Average Residential Customer (12 Kgal) Quarterly Bill Projection



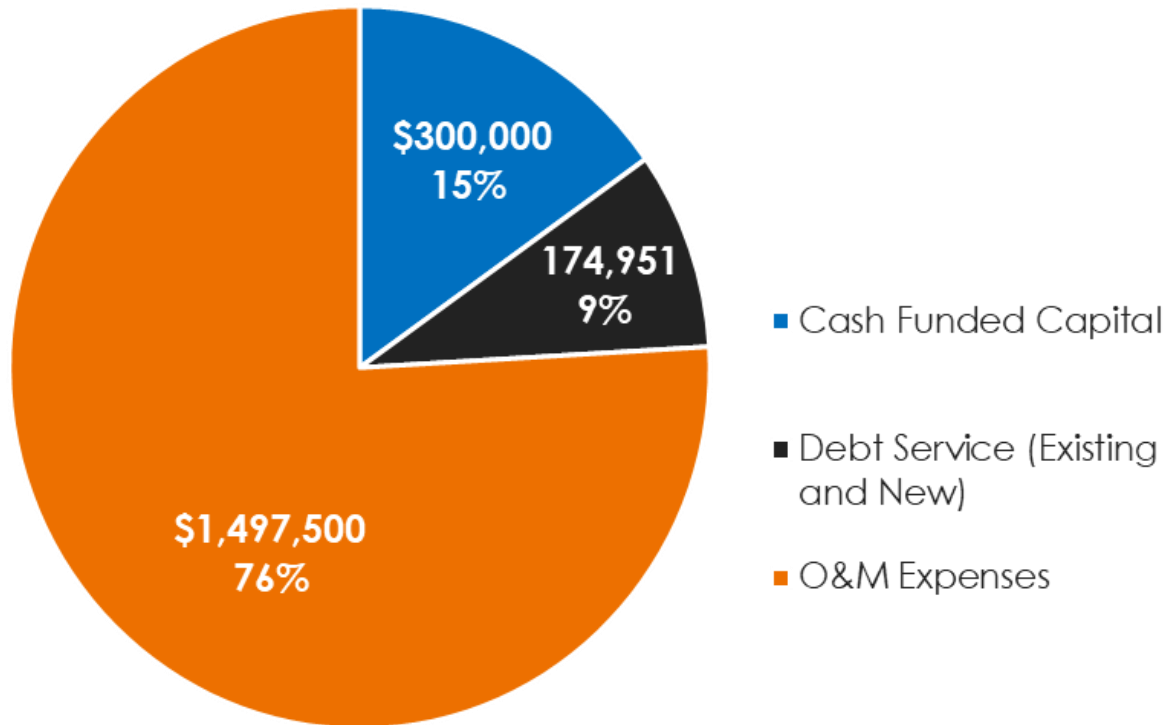
*\$6.53 per quarter increase in average customer bill in FY24*

# 2 Stormwater Enterprise Fund





# FY24 Stormwater Revenue Requirements



- 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

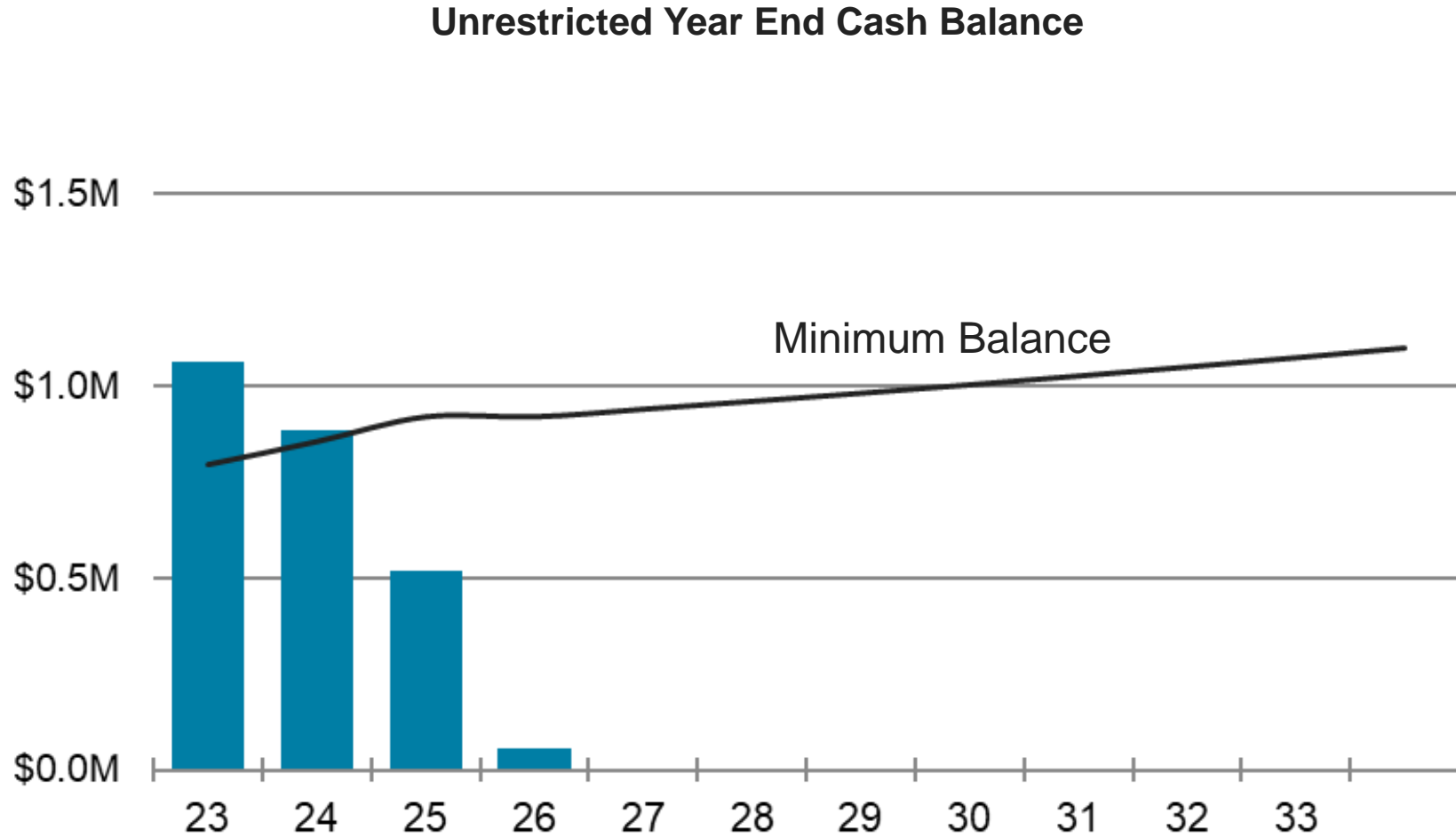
# Stormwater Revenue Sufficiency

(\$ Million)	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33
<b>Total Operating Expenses</b>	<b>\$1.50</b>	<b>\$1.50</b>	<b>\$1.55</b>	<b>\$1.60</b>	<b>\$1.64</b>	<b>\$1.69</b>	<b>\$1.75</b>	<b>\$1.80</b>	<b>\$1.86</b>	<b>\$1.91</b>
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
<b>Total Capital Expenses</b>	<b>0.47</b>	<b>0.66</b>	<b>0.72</b>	<b>0.78</b>	<b>0.84</b>	<b>0.91</b>	<b>0.96</b>	<b>1.03</b>	<b>1.11</b>	<b>1.18</b>
<b>Total Stormwater Expenses</b>	<b>\$1.97</b>	<b>\$2.16</b>	<b>\$2.27</b>	<b>\$2.37</b>	<b>\$2.48</b>	<b>\$2.60</b>	<b>\$2.71</b>	<b>\$2.83</b>	<b>\$2.96</b>	<b>\$3.09</b>
<b>Revenues from Existing Stormwater Fees**</b>	<b>\$1.79</b>	<b>\$1.80</b>	<b>\$1.80</b>	<b>\$1.80</b>	<b>\$1.81</b>	<b>\$1.81</b>	<b>\$1.82</b>	<b>\$1.82</b>	<b>\$1.82</b>	<b>1.83</b>

\*CBT Grant Contribution

\*\*Assumes no increases in stormwater fees

# Stormwater Fund Forecast - No Increases



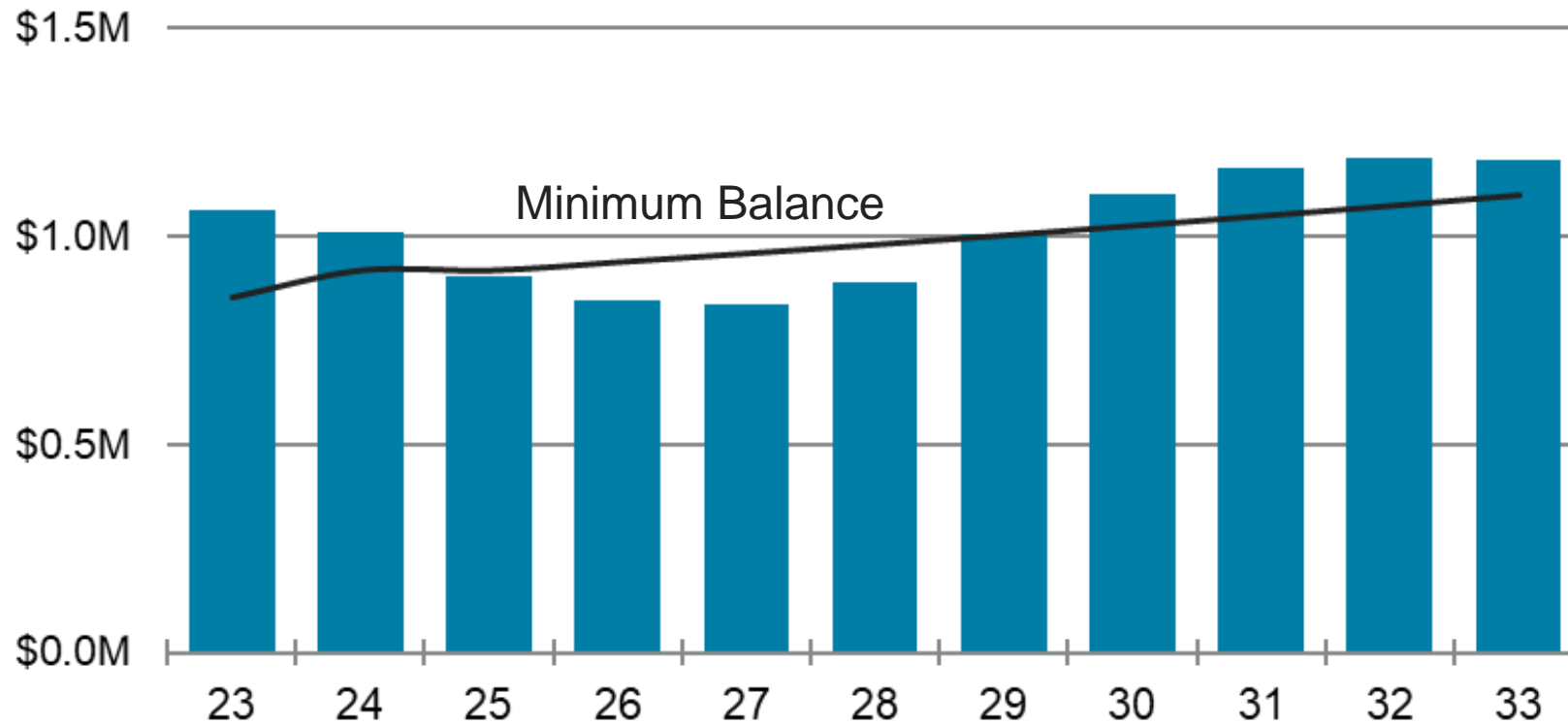
# Financial Plan Considerations

- 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

	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>
Stormwater Fee Increase	<b>7.0%</b>	7.0%	7.0%	7.0%

# Stormwater Fund Forecast - with Increases

Unrestricted Year End Cash Balance



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

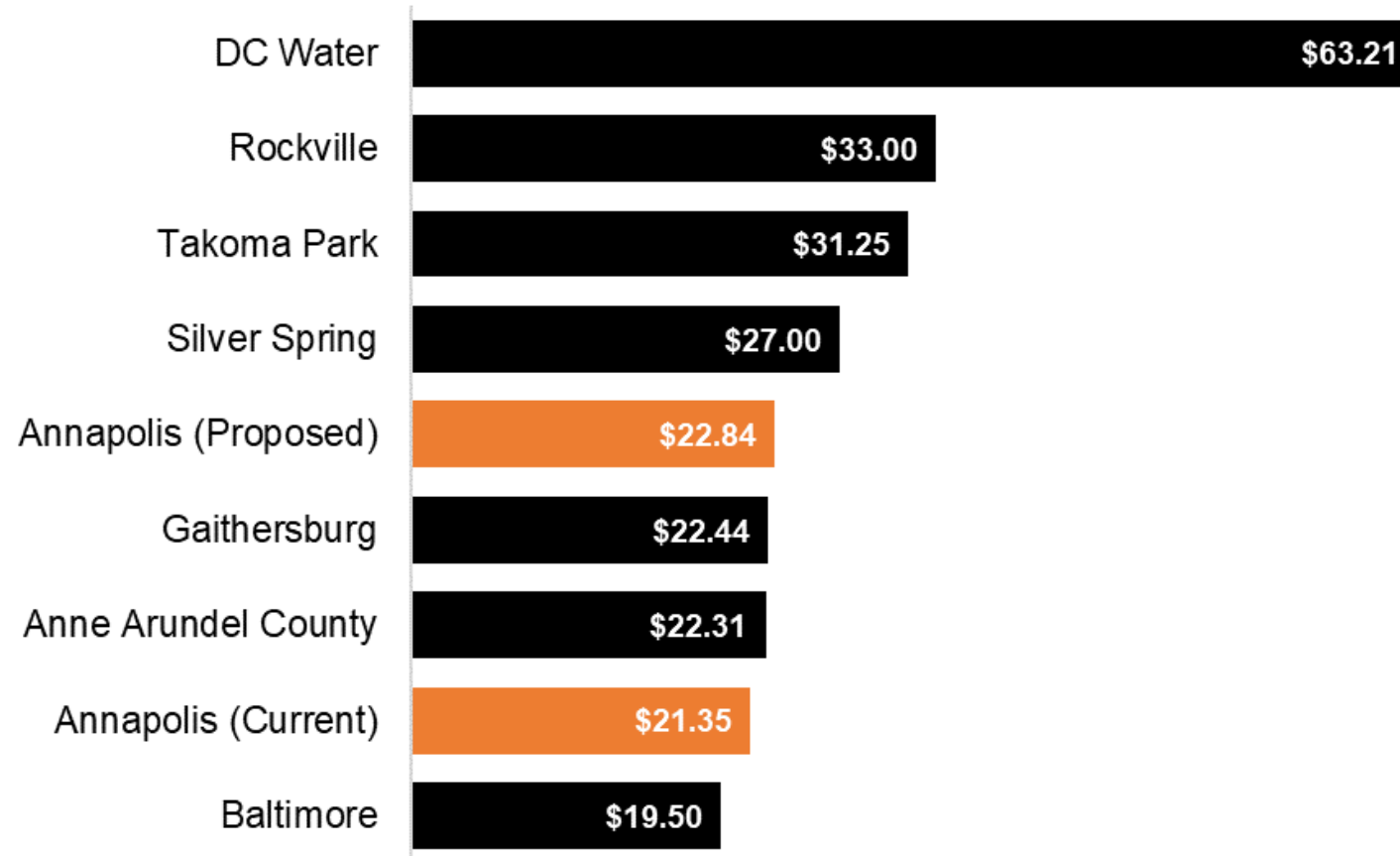
# FY 24 Stormwater Fee Recommendation

## Quarterly Stormwater Fees

<b>Residential</b>	<b>Current</b>	<b>FY 24</b>
Single Family	\$21.35	\$22.84
Multi-Family (per unit)	\$10.68	\$11.42
<b>Non-Residential (Impervious Area)</b>	<b>Current</b>	<b>FY 24</b>
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





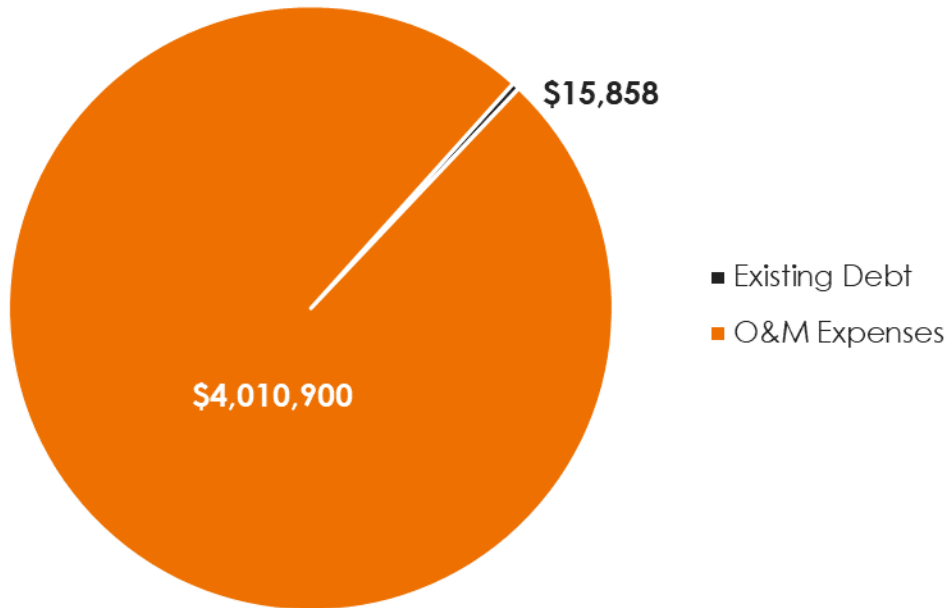
**3** Refuse  
Enterprise  
Fund



# 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)

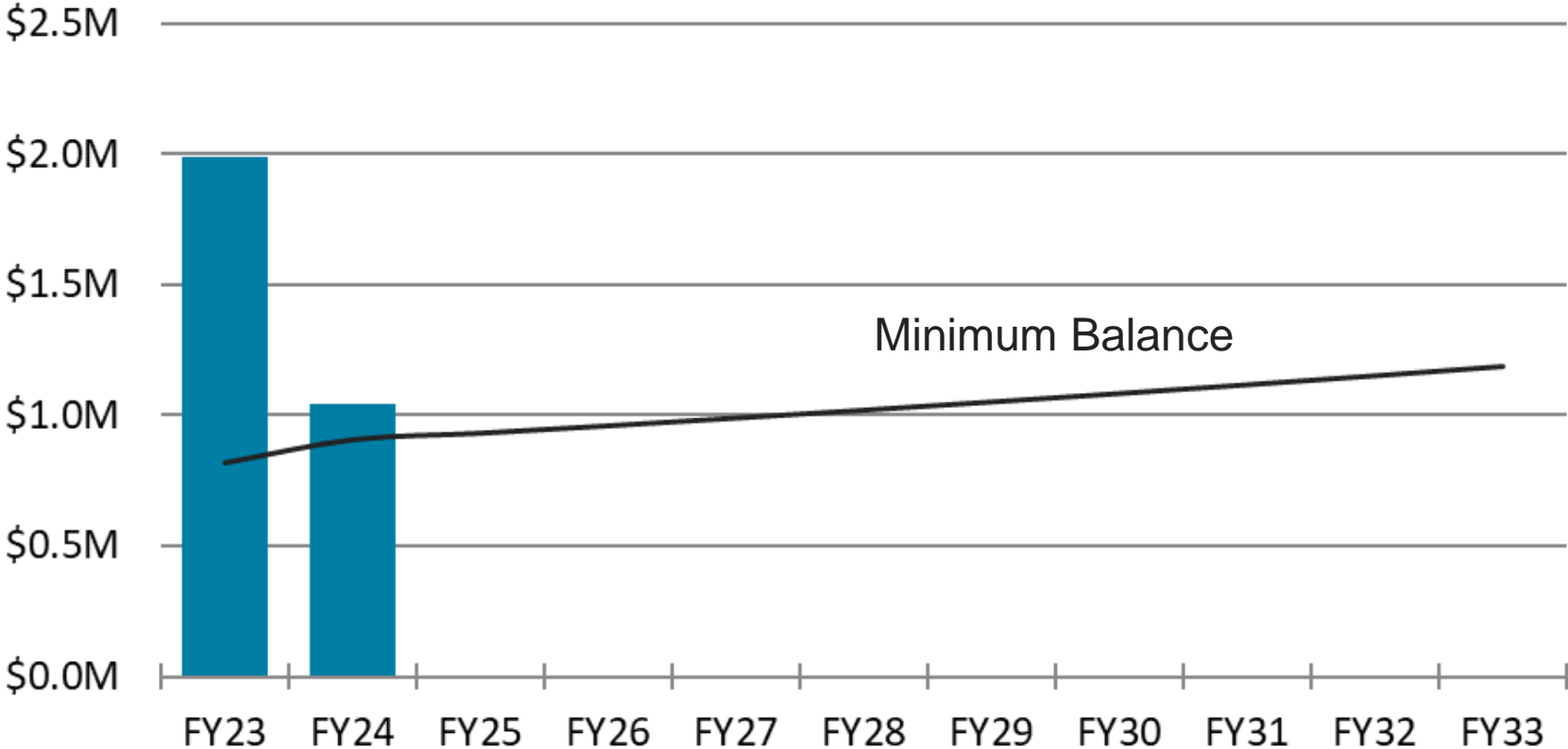
# Refuse Revenue Sufficiency

(\$ 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
<b>Total Refuse Expenses</b>	<b>4.03</b>	<b>4.14</b>	<b>4.26</b>	<b>4.39</b>	<b>4.53</b>	<b>4.87</b>	<b>4.79</b>	<b>4.94</b>	<b>5.09</b>	<b>5.24</b>
<b>Revenues from Existing Refuse Fees</b>	<b>3.08</b>	<b>3.09</b>	<b>3.10</b>	<b>3.11</b>	<b>3.11</b>	<b>3.26</b>	<b>3.36</b>	<b>3.46</b>	<b>3.56</b>	<b>3.67</b>

\*New refuse collection truck in FY 29

# Refuse Fund Balance - No Increases

Unrestricted Year End Cash Balance

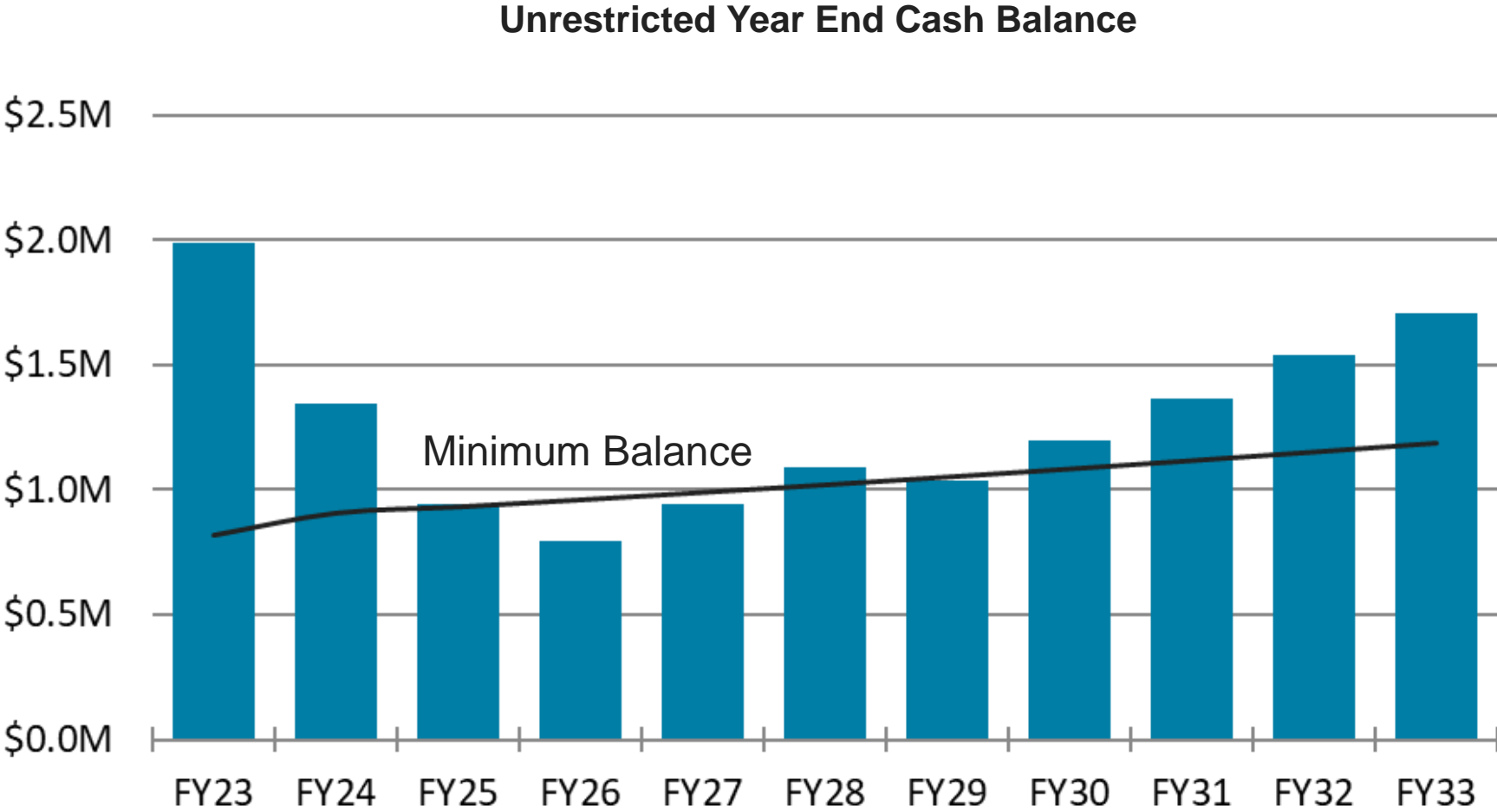


# Financial Plan Considerations

- 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

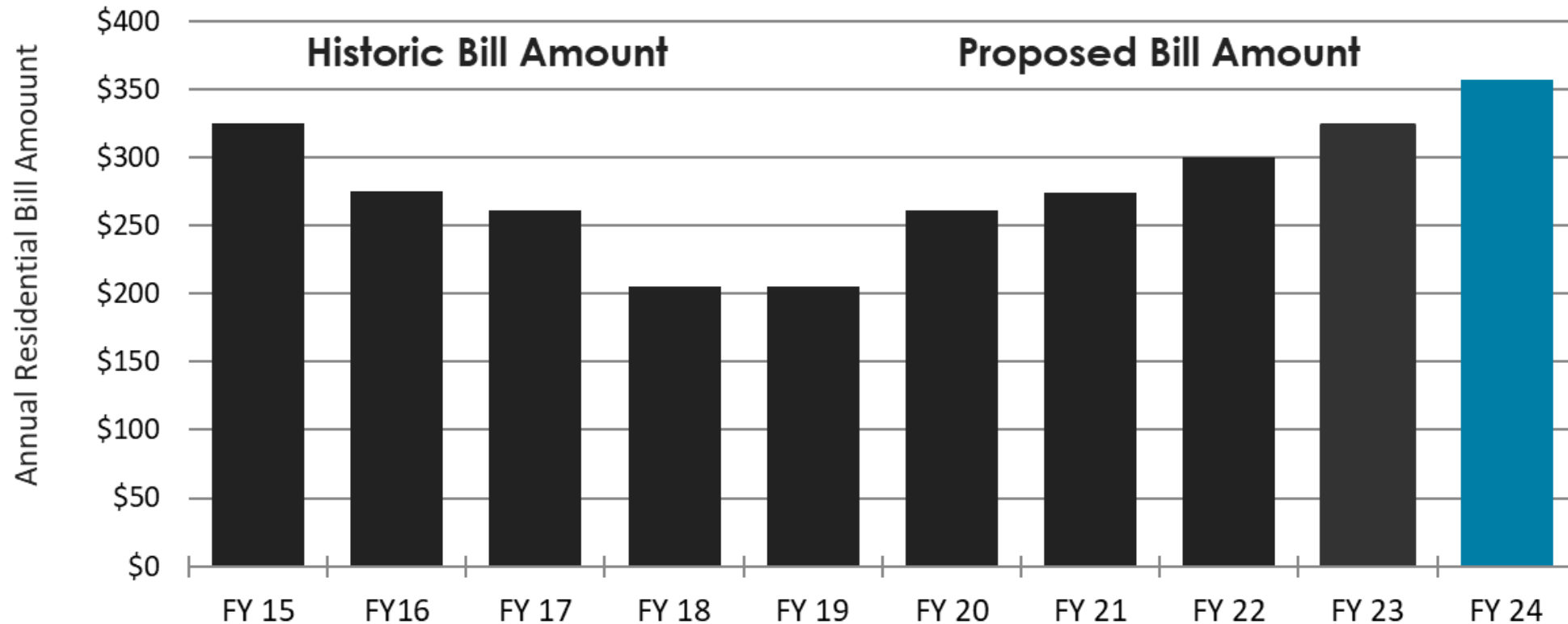
	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>
Refuse Fee Increase	<i>10.0%</i>	10.0%	10.0%	10.0%

# Refuse Fund Balance - with Increases



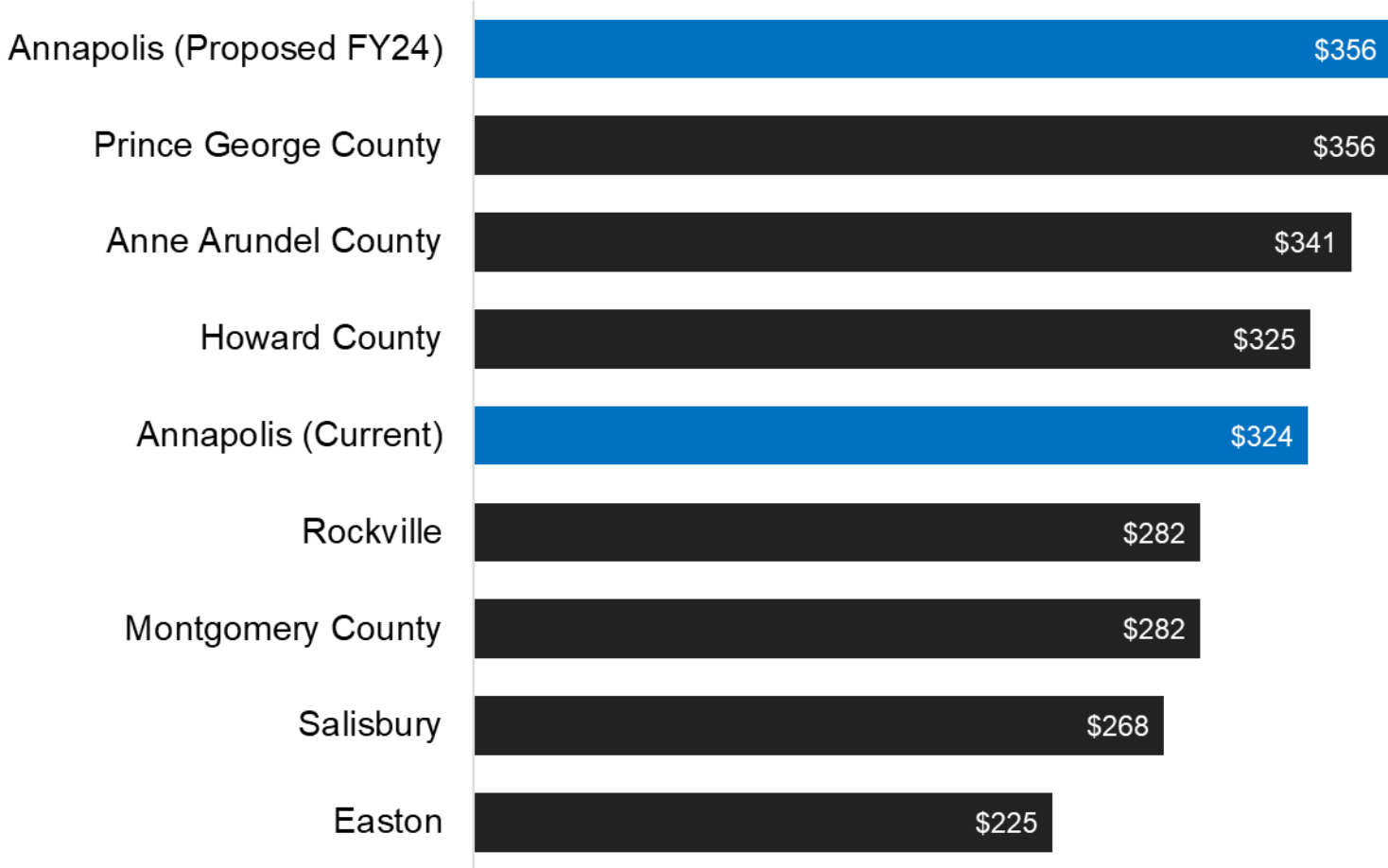
*\*Assumes annual increases in refuse fees of 3% annually after FY27*

# Historical and Recommended FY 24 Refuse Fee



# Refuse Fee Comparison

Annual Refuse Fee Comparison - Single Family Residential







Questions / Discussion