

Utility Rate Study Update

City Council Workshop
June 6, 2017



Purpose

- Update on Financial Plan and Rate Review
 - Water and Sewer Services
 - Residential Solid Waste Service
- Public Outreach Plan

Municipal Services

Water



Sewer



Solid Waste



Three Phase Process

- Phase 1 - review financial plans
- Phase 2 - conduct public outreach
- Phase 3- seek final direction from Council

Five-Year Enterprise Fund Forecasts at December 2016

- Not meeting minimum fund balance policy
- Identified capital needs
- Discussed management options
 - Future rate adjustments
 - Defer capital projects
 - Bond fund some or all capital projects

Water and Sewer Revenue Rate Increase History

Fiscal Year	Effective Date	Combined Increase	CPI	Compounded CPI (since 2010)
2010-11	7/1/2010	12.0%	3.2%	3.2%
2011-12	-	0%	2.1%	5.4%
2012-13	-	0%	1.5%	6.9%
2013-14	-	0%	1.6%	8.7%
2014-15	-	0%	0.1%	8.8%
2015-16	-	0%	1.3%	10.2%
2016-17	-	0%	~2%	12.4%

Residential Solid Waste Rate Increase History

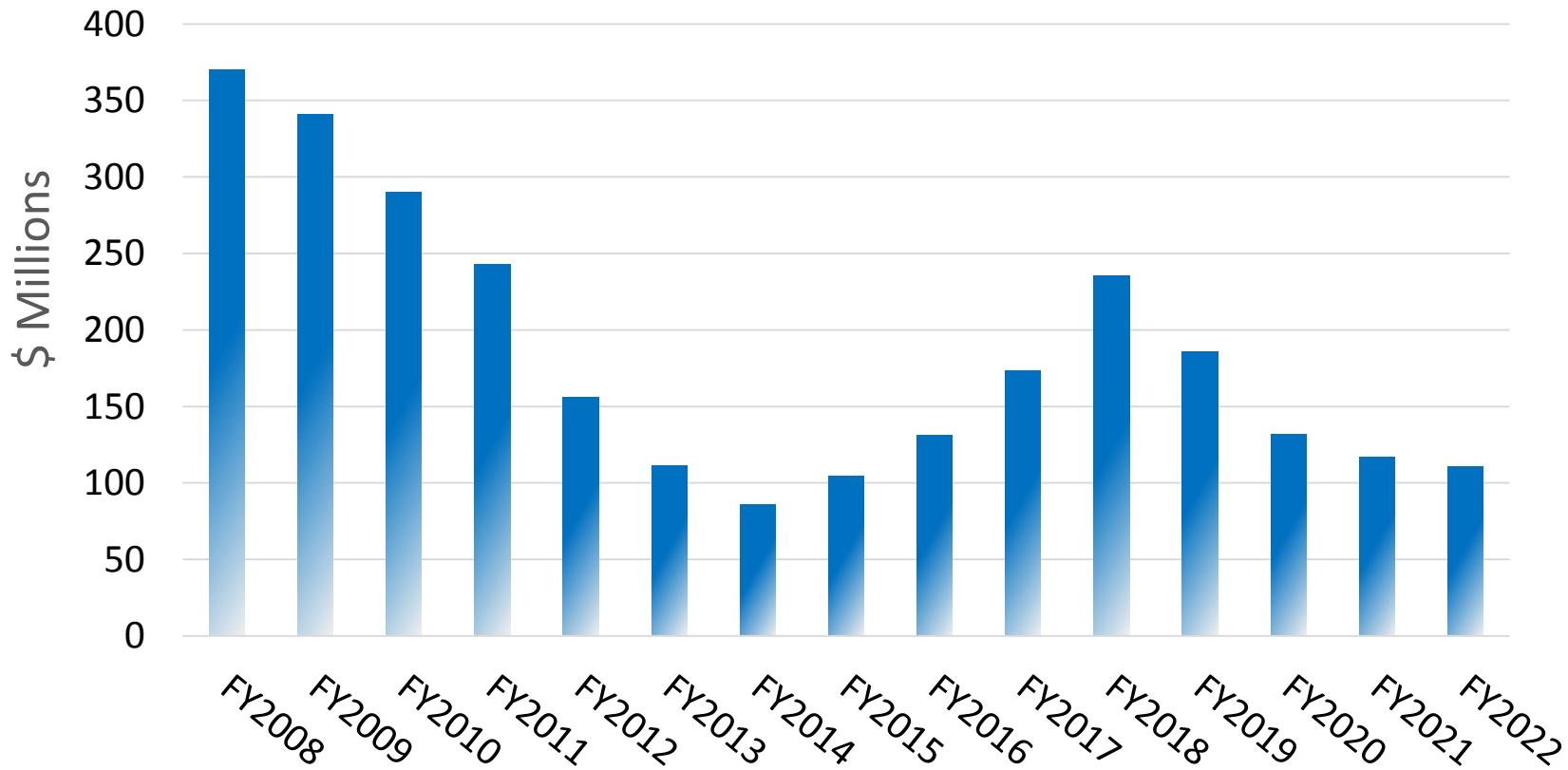
Fiscal Year	Effective Date	Increase	CPI	Compounded CPI (since 2008)
2008-09	7/1/2008	\$1.40	-0.4%	-0.4%
2009-10	-	\$0	1.6%	1.2%
2010-11	-	\$0	3.2%	4.4%
2011-12	-	\$0	2.1%	6.6%
2012-13	-	\$0	1.5%	8.2%
2013-14	-	\$0	1.6%	10.0%
2014-15	-	\$0	0.1%	10.1%
2015-16	-	\$0	1.3%	11.5%
2016-17	-	\$0	~2%	13.5%



Water and Sewer Operational Efficiencies

- Cross Utilization of staff
- Chemical Optimization and Contracts
- Modernizing Plant processes to save costs
- Centralized Maintenance

Water and Sewer 5-year CIPs – FY2008 thru FY2022



FY2019 thru FY2022 are projected

Water and Sewer Capital Outlay – FY2017 thru FY2022

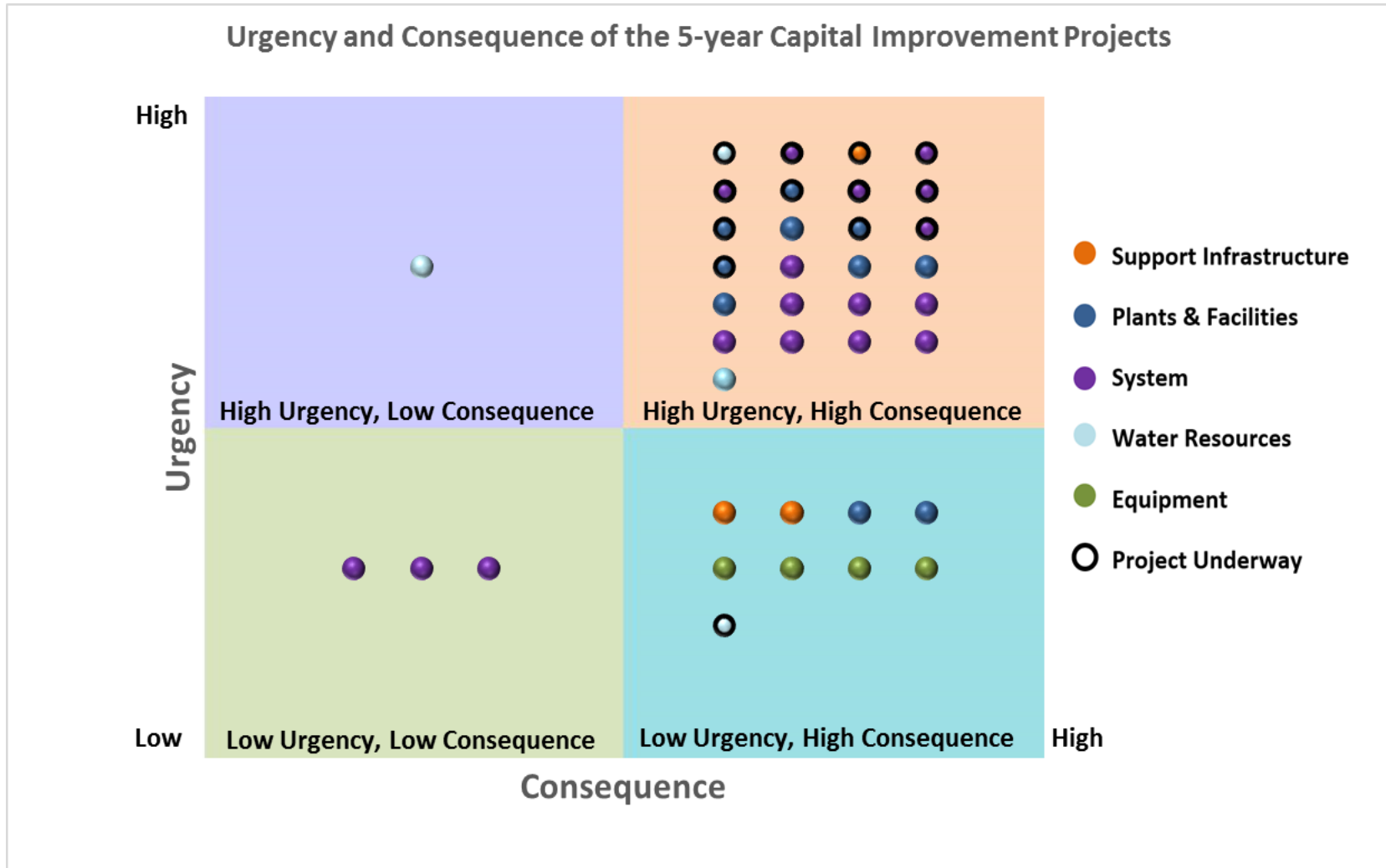
<u>Facility Type</u>	<u>FY2017-FY2022</u>	<u>% of total</u>
Reclamation Plants	\$ 67,220	34%
Water Plants	56,993	29%
Water Mains	25,461	13%
Collection Lines	22,427	11%
Support Infrastructure	10,897	5%
Water Resources	10,500	5%
Wells	5,165	3%
Total	\$ 198,663	100%

All dollars are in thousands

Does not include city of Peoria share of PPWTP cost

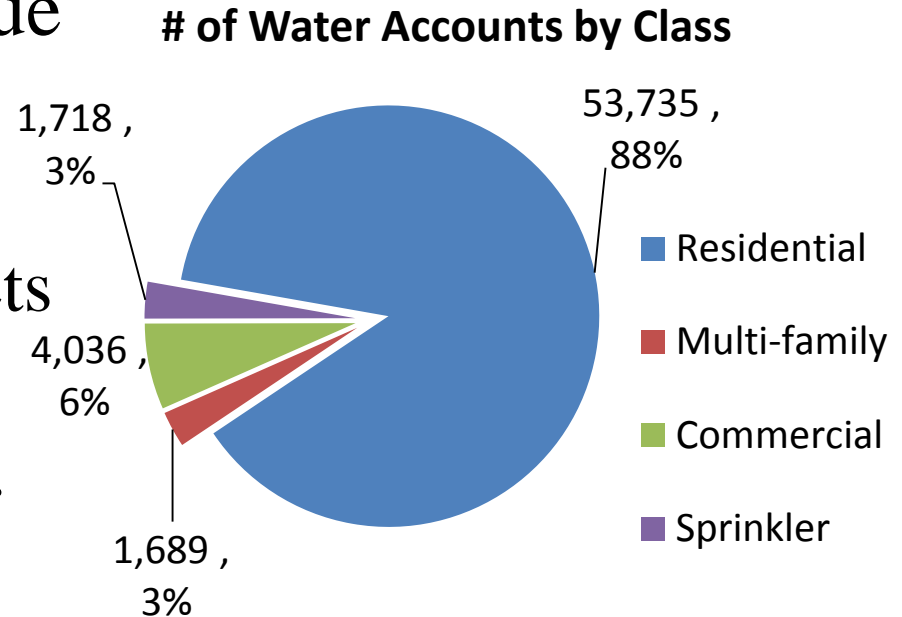


Risk Assessment Matrix



What is a Rate Study?

- Determine the total revenue required to meet targets
 - Expenditure assumptions
 - Fiscal sustainability targets
- Determine if each type of customer is paying its fair share



Results of Rate Study

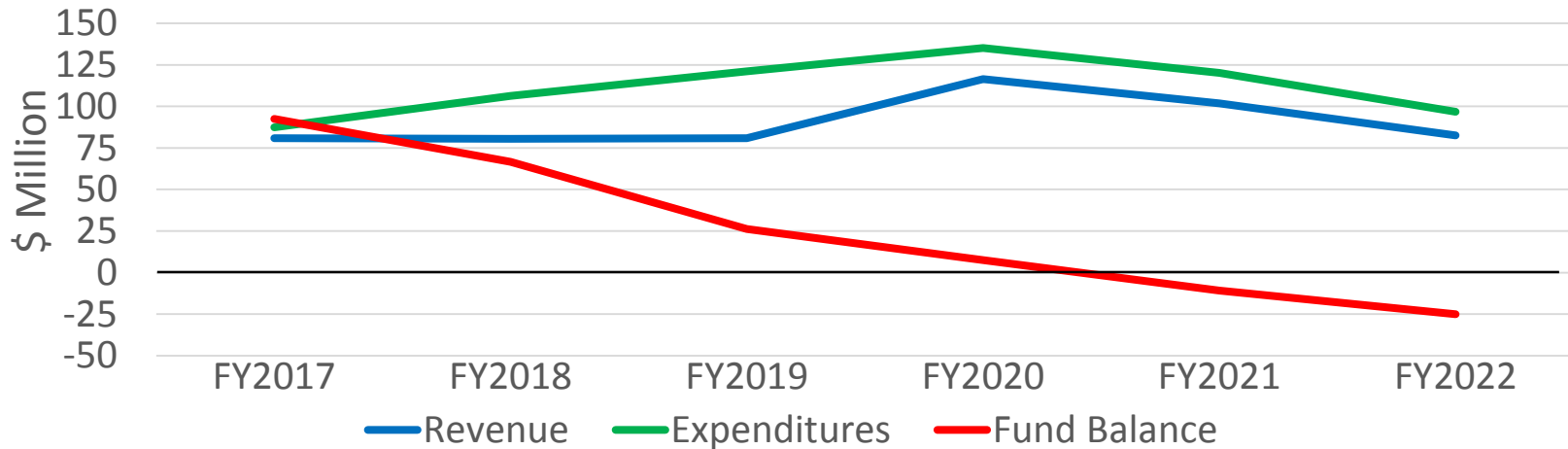
- Residential and Commercial are slightly over recovering service costs
- Sprinklers are under recovering service costs
- Sewer classes are balanced
- Options
 - Implement adjustment all at one time
 - Implement adjustment over time

Fiscal Sustainability Targets

- Water/Sewer current credit rating - Moody's A1, S&P AA
 - Working Capital – 50% of O&M Expense
 - Days Cash on Hand – 250 days
 - Senior Lien Debt Service Coverage (DSC)
 - Minimum – 1.70x Target – 1.85x
 - All-debt Debt Service Coverage (DSC)
 - Minimum – 1.20x Target – 1.50x
- Solid Waste
 - Working Capital – 10% of Operating Revenue



Water and Sewer Financial Plan – At Current Rates



Target	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Working Cap 50% O&M	165%	98%	20%	-12%	-44%	-67%
Days Cash on Hand 250	604	358	73	-45	-160	-245
Sr Lien DSC 1.85x	2.58x	1.72x	1.22x	1.19x	1.17x	1.14x
All-debt DSC 1.50x	1.66x	1.35x	1.14x	1.00x	0.93x	0.89x

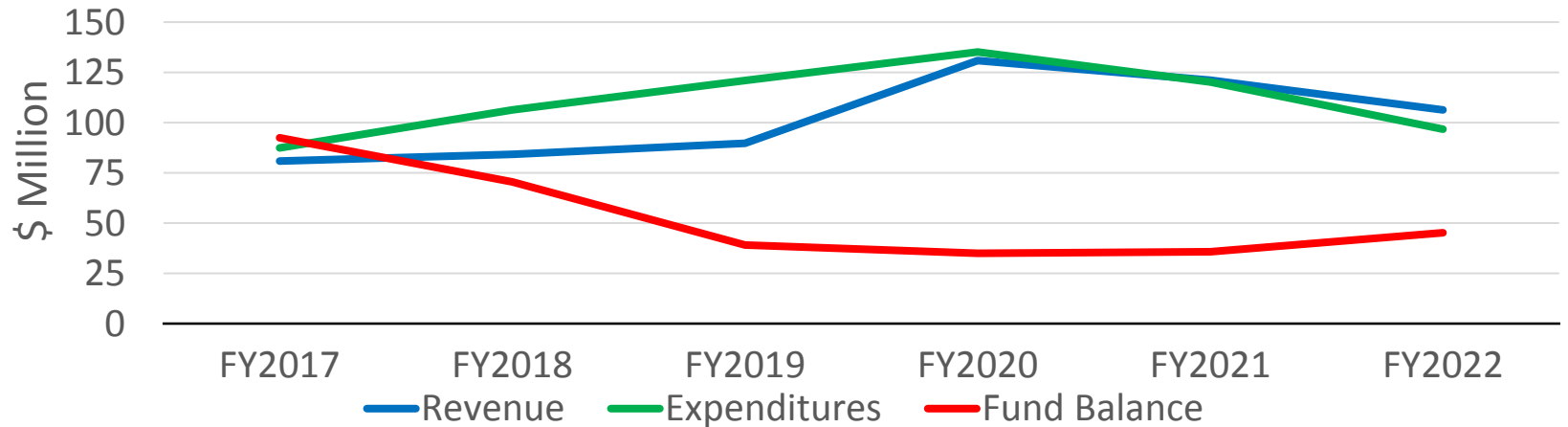
Water and Sewer Proposed Rate Revenue Options

Fiscal Year	Option 1		Option 2	
	Water/Sewer Combined	SF Bill * Increase	Water/Sewer Combined	SF Bill * Increase
2017-18	7.5%	\$5.02	10.2%	\$6.77
2018-19	7.5%	5.39	5.0%	3.67
2019-20	5.0%	3.86	5.0%	3.86
2020-21	4.5%	3.64	5.0%	4.05
2021-22	4.5%	3.81	5.0%	4.25

* Increase on single family bill with average usage.
Assumes increase is across the board.

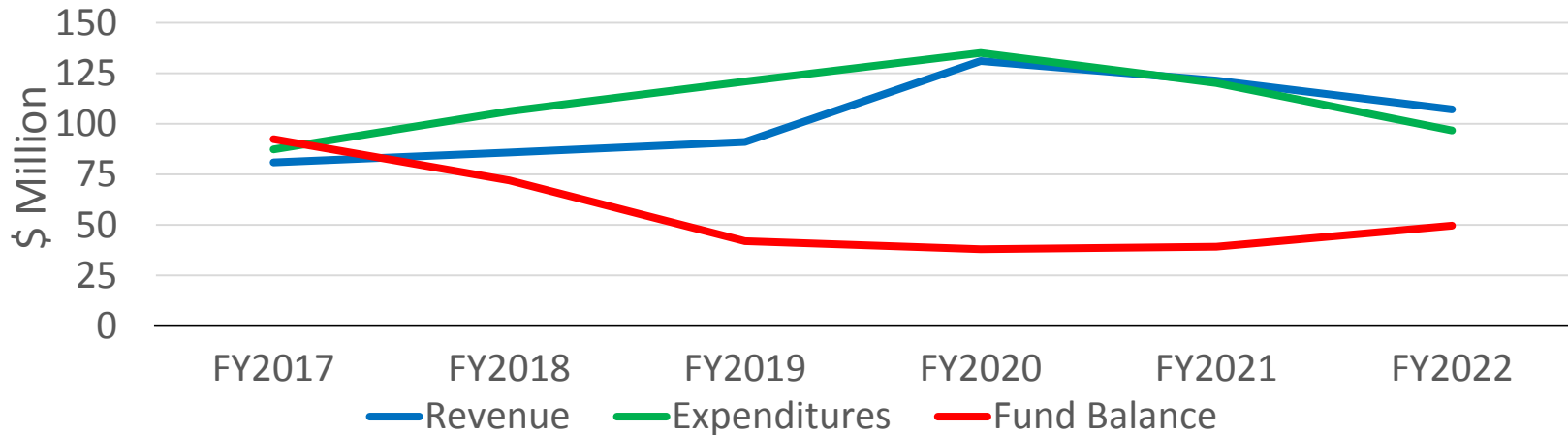


Water and Sewer Financial Plan – Option 1



Target	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Working Cap 50% O&M	165%	113%	45%	39%	40%	55%
Days Cash on Hand 250	604	414	164	141	145	201
Sr Lien DSC 1.85x	2.58x	1.94x	1.60x	1.81x	2.01x	2.20x
All-debt DSC 1.50x	1.66x	1.53x	1.49x	1.52x	1.59x	1.73x

Water and Sewer Financial Plan – Option 2



Target	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Working Cap 50% O&M	165%	116%	50%	44%	46%	63%
Days Cash on Hand 250	604	424	183	161	168	228
Sr Lien DSC 1.85x	2.58x	2.02x	1.65x	1.82x	2.03x	2.23x
All-debt DSC 1.50x	1.66x	1.59x	1.54x	1.53x	1.60x	1.76x

Residential Solid Waste Fund

- Services
 - Weekly collection of residential waste and recycling
 - Monthly bulk trash collection
 - Solid Waste Administration
 - Call Center
 - Contract Management
- Fund Contingency



Residential Solid Waste Operational Efficiencies

- Reduced the size of the residential fleet
 - Since 2014 from 29 to 25 side load refuse trucks
 - From 8 to 6 tractors
- Reduced the number of total staff from 58 to 57 despite adding three drivers for street sweeping program

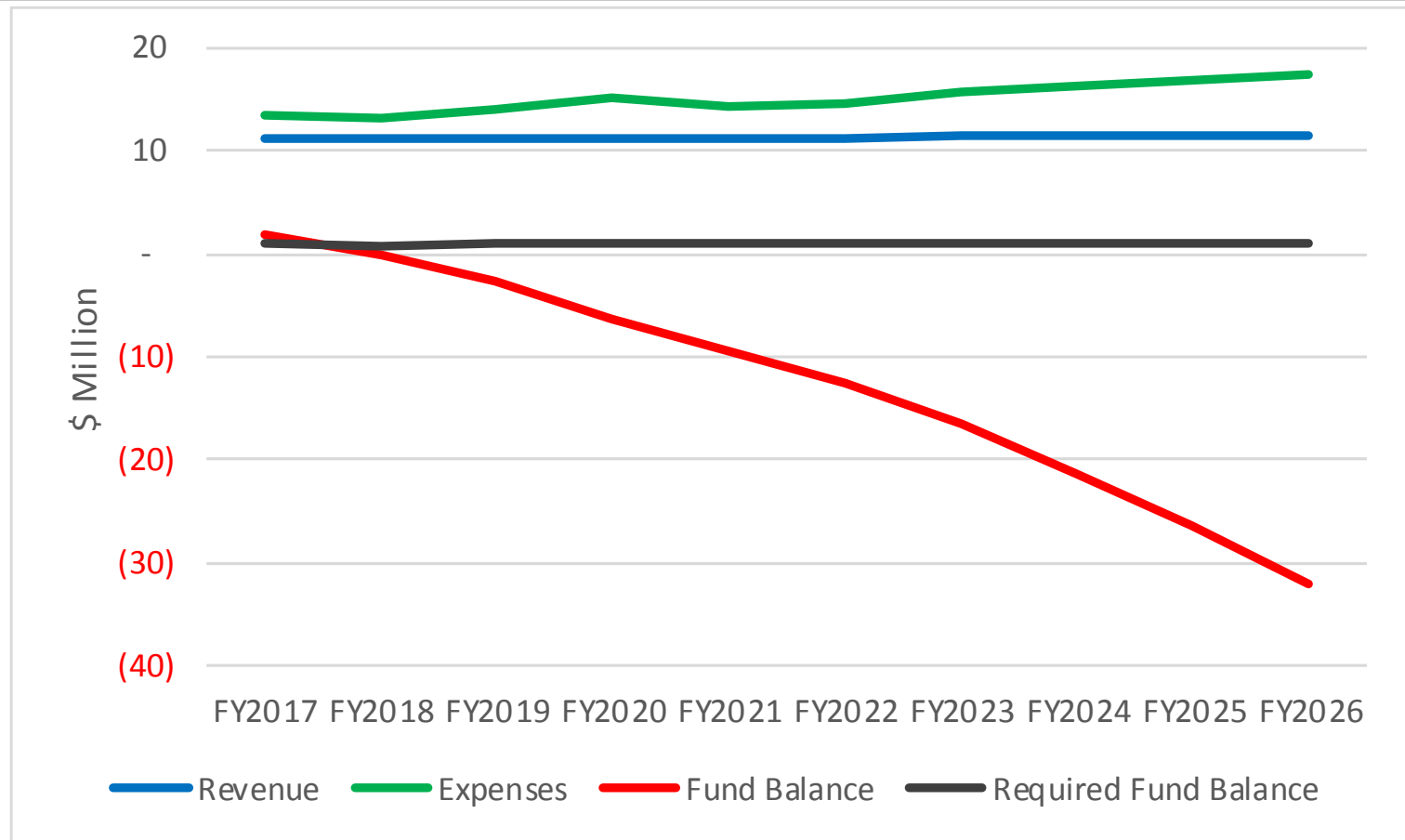
Residential Solid Waste Service Options Reviewed

- Personnel and resource adjustments
- Average waste tonnage per household (through community education to impact diversion rate)
- Recycling collection frequency
- Sweeper frequency
- Flexible work schedules
- Changing the purchasing methodology of assets (lease, bonds, etc.)

Residential Solid Waste Service Options Reviewed

- Route/tonnage swapping with neighboring municipalities
- Container size specific pricing
- Bulk Collection options
 - Volume limits
 - Service reductions beyond bi-monthly
 - On call only
- Out-sourcing some/all residential collections

Residential Solid Waste Financial Plan – At Current Rates



Residential Solid Waste Residential Rate Option 1

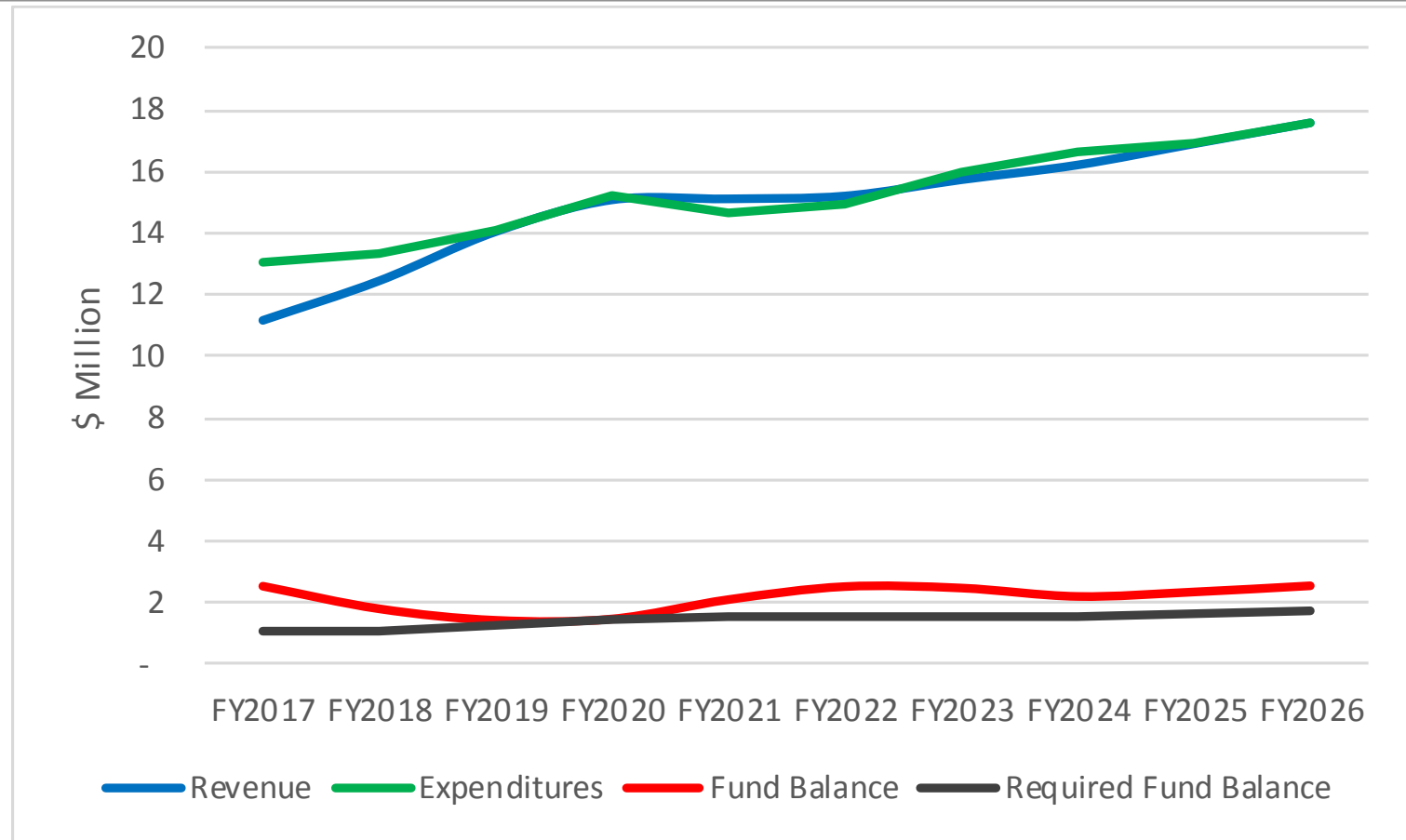
- This represents no change in service levels
 - Current rate: \$16.30
 - **11/1/2017: +\$2.75 (Increase to \$19.05)**
 - **1/1/2019: +\$2.75 (Increase to \$21.80)**
 - 1/1/2023: +\$1.25 (Increase to \$23.05)
 - 1/1/2025: +\$1.75 (Increase to \$24.80)

Solid Waste

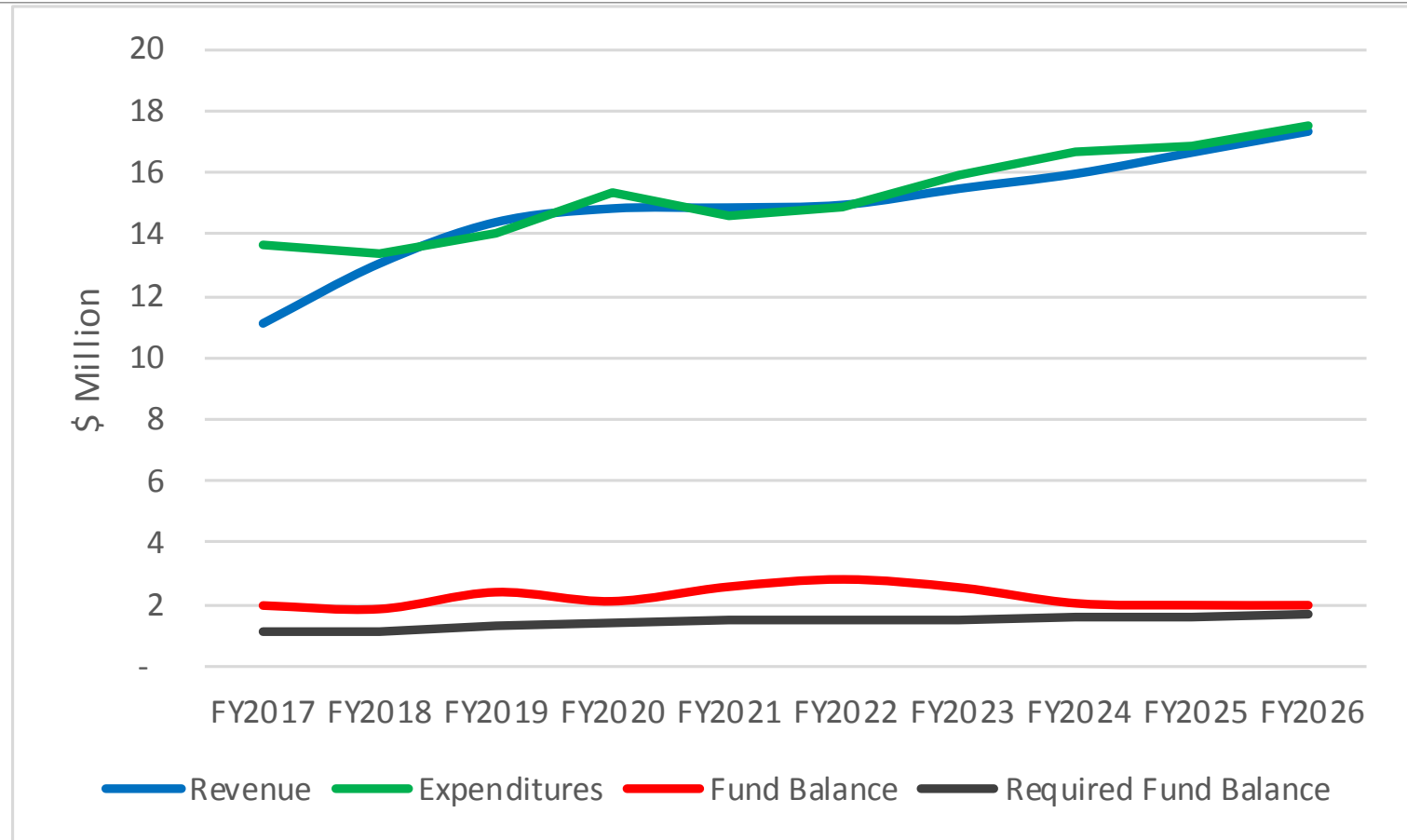
Residential Rate Option 2

- This represents no change in service levels
 - Current rate: \$16.30
 - **11/1/2017: +\$4.20 (Increase to \$20.50)**
 - **1/1/2019: +\$1.00 (Increase to \$21.50)**
 - 1/1/2023: +\$1.25 (Increase to \$22.75)
 - 1/1/2025: +\$1.75 (Increase to \$24.50)

Solid Waste Rate Adjustment Forecasts – Option 1



Solid Waste Rate Adjustment Forecasts – Option 2



Sample Bill Impacts

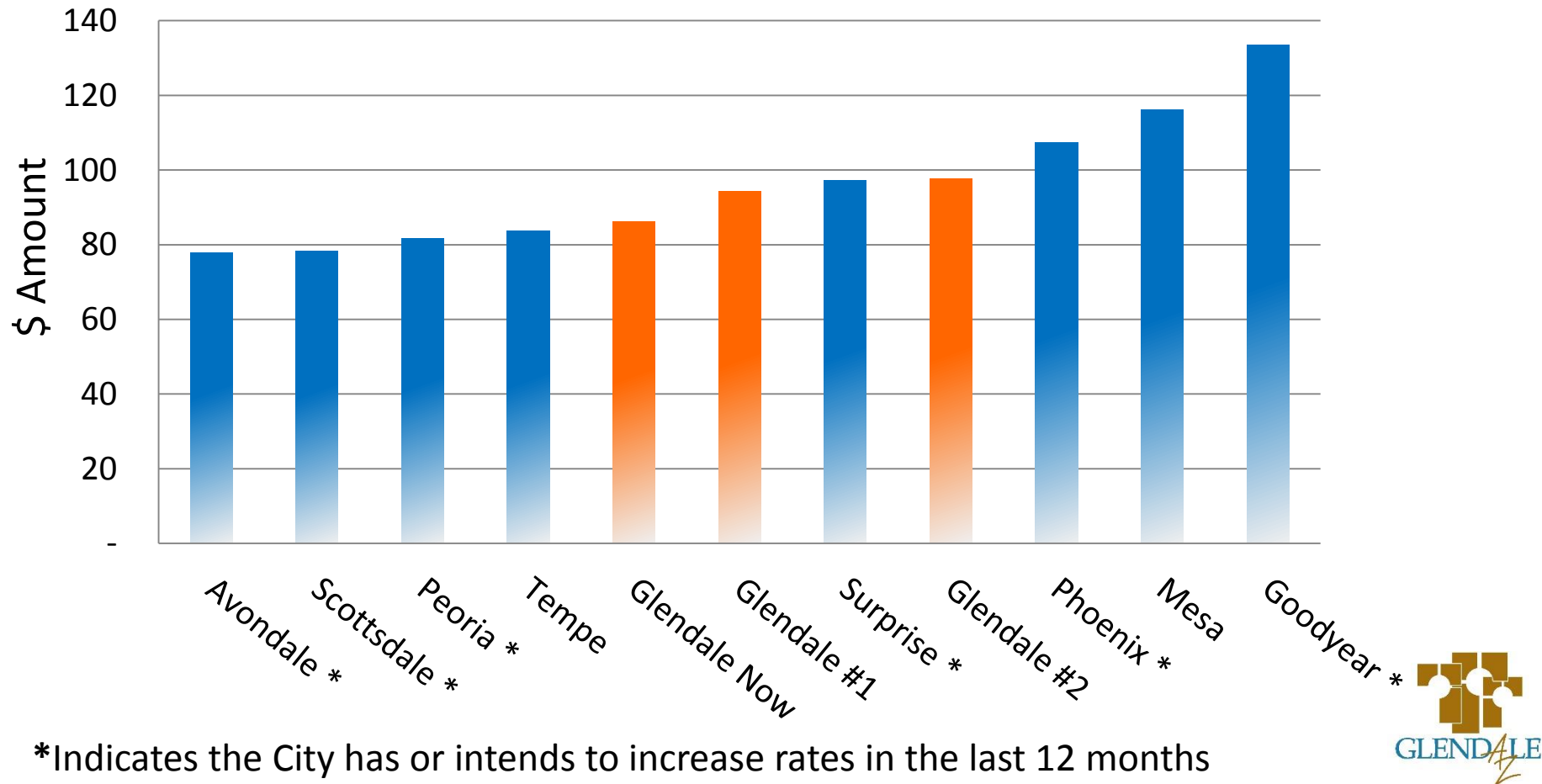
Year	Service	Current Bill	Option1	Option2	Option1 Increase	Option2 Increase
First	Water & Sewer	\$ 66.69	71.71	73.46	5.02	6.77
	Solid Waste	16.30	19.05	20.50	2.75	4.20
	Total	82.99	90.76	93.96	7.77	10.97
Second	Water & Sewer		77.10	77.13	5.39	3.67
	Solid Waste		21.80	21.50	2.75	1.00
	Total		98.90	98.63	8.14	4.67

Water usage based on 9,700 gallons monthly average.

Assumes across the board increases without cost of service adjustments.



Single Family Monthly Municipal Services Bill Comparison



Public Outreach Plan

- Plan objective is to actively engage the public in the process
 - Conduct four public meetings
 - July 13 Thur at FRAC
 - July 15 Sat at Council Chambers
 - July 18 Tues at GRPSTC
 - July 20 Thur at GAC
- City website

Public Outreach Plan Cont'd

- Media Outreach
 - Social Media
 - Press Releases
 - Media Briefings
- Council Member Newsletters
- Utility bills
- Solicit feedback
 - Surveys
 - Online
 - Paper/Mail



Next Steps

- June 27 – Council vote on Notice of Intent for Water and Sewer proposed rate revenue increases
- July 13-20 – conduct public meetings
- August 2 – review public meeting results with Citizens Utility Advisory Commission

Next Steps Cont'd

- August 15 – discuss public meeting results and proposed rate schedules with Council
- September 26 – Council vote on proposed rate schedules
- November 1 – pending approval, rates go into effect

Questions
