



# City of Lake Wales

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## *Water and Sewer Revenue Sufficiency Review*

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# Overview and Objectives

- Revenue Sufficiency Analysis
  - Combined Water and Sewer System Approach
  - FY 2015 – FY 2019 Projection Period
- Interactive Financial Model
  - Multiple Inputs
  - Sensitivity Analysis
  - Growth, Capital Plan, Debt v. Equity, Cost Escalations, etc.

# Existing Conditions

- Adequate Net Revenues
- Exceeding Debt Coverage Requirements
- Transfer 15% Rate Revenue to General Fund
- Declining Unrestricted Utility Fund Balances
  - Currently less than minimum target of 90 days operating expenses
  - Target minimum \$1.2 million; \$169,000 actual reported 9/30/14

# Existing Conditions

FY 2015 Estimates	Amount
Operating Revenue	\$6,950,200
O&M Expenses	4,208,589
Net Revenue	\$2,741,611
Total Debt Service	1,668,200
Capital Lease and GF Transfer	1,112,100
Surplus/(Deficit)	(\$38,689)

} Debt Service Coverage = 1.64

# Forecast Model Assumptions

- FY 2015 Adopted Operating Budget
- Conservative Growth Scenarios
  - Low Growth Scenario – 18 ERUs per year
  - Higher Growth Scenario – 60 ERUS per year
- Increased Operating Expenses 3.20% annually
- Fully Funded Capital Plan

# Capital Improvement Plan - Detailed

## Water Projects:

Project Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Bathrooms - Water Plants	\$0	\$13,000	\$20,000	\$20,000	\$0
Asbestos/Cement Pipe Removal	0	0	400,000	500,000	0
Market Street Distribution Upgrades	130,000	0	0	0	0
Northwest Water Line Extensions	0	0	1,000,000	0	0
SCADA Interconnect	0	0	100,000	0	0
Storage Tank/Ground & Land	0	450,000	0	0	0
Water Line (Galvanized) Replacement	0	200,000	250,000	250,000	250,000
Water Plant Upgrades - Market Street	0	45,000	0	0	0
Utilities Equipment - Misc	120,000	0	0	0	0
Fencing - Market Street	25,000	0	0	0	0
Ground Storage Tank - Airport	35,000	0	0	0	0
Water Relocation	0	0	75,000	0	0
Flexnet Installation	0	0	0	750,000	0
<b>Total Water</b>	<b>\$310,000</b>	<b>\$708,000</b>	<b>\$1,845,000</b>	<b>\$1,520,000</b>	<b>\$250,000</b>

# Capital Improvement Plan - Detailed

## Sewer Projects:

Project Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Building - Pole Barn	\$150,000	\$0	\$0	\$0	\$0
Land - Burns Avenue Plant	0	100,000	0	0	0
Force Main - LS #31	40,000	0	0	0	0
Lift Station Pump Replacement	100,000	0	100,000	0	0
Lift Station Rehab	250,000	0	250,000	0	250,000
SCADA Upgrade	0	100,000	100,000	100,000	0
Sewer Imps - C Street & Vicinity	1,400,000	4,000,000	1,400,000	0	0
Sewer Improvements - Unsewered Areas	0	200,000	300,000	400,000	500,000
Sewer Lines - Sliplining	0	0	300,000	0	300,000
Utilities Trans Systems -SR60 W.	575,000	3,000,000	3,000,000	0	0
Wastewater Treatment Plant Expansion	0	0	0	0	500,000
Infiltration & Intrusion Study	0	0	0	0	223,000
Engineering - Clean B System	0	50,000	0	0	0
Sewer Relocation	0	0	1,400,000	0	0
Master Plan - Collection Sys	0	0	0	0	200,000
<b>Total Sewer</b>	<b>\$2,515,000</b>	<b>\$7,450,000</b>	<b>\$6,850,000</b>	<b>\$500,000</b>	<b>\$1,973,000</b>

# Capital Improvement Plan - Detailed

## Reuse Projects:

Project Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Reuse Upgrades	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Reclaimed Relocation	0	0	1,000,000	0	0
Storage Tank/Ground - Reuse	0	50,000	0	1,000,000	0
<b>Total Reuse</b>	<b>\$40,000</b>	<b>\$90,000</b>	<b>\$1,040,000</b>	<b>\$1,040,000</b>	<b>\$40,000</b>



# Capital Improvement Plan - Summary

FY 2015 – FY 2019	Amount
Water:	\$4,633,000
Sewer:	
C Street Area Improvements	\$6,800,000
SR 60 Extensions	6,575,000
Line Relocations	1,400,000
Other*	4,513,000
<b>Total Sewer</b>	<b>\$19,288,000</b>
Reuse:	
Line Relocation	\$1,000,000
Ground/Storage Tank	1,050,000
Other	200,000
<b>Total Reuse</b>	<b>\$2,250,000</b>
<b>Total CIP</b>	<b>\$26,171,000</b>

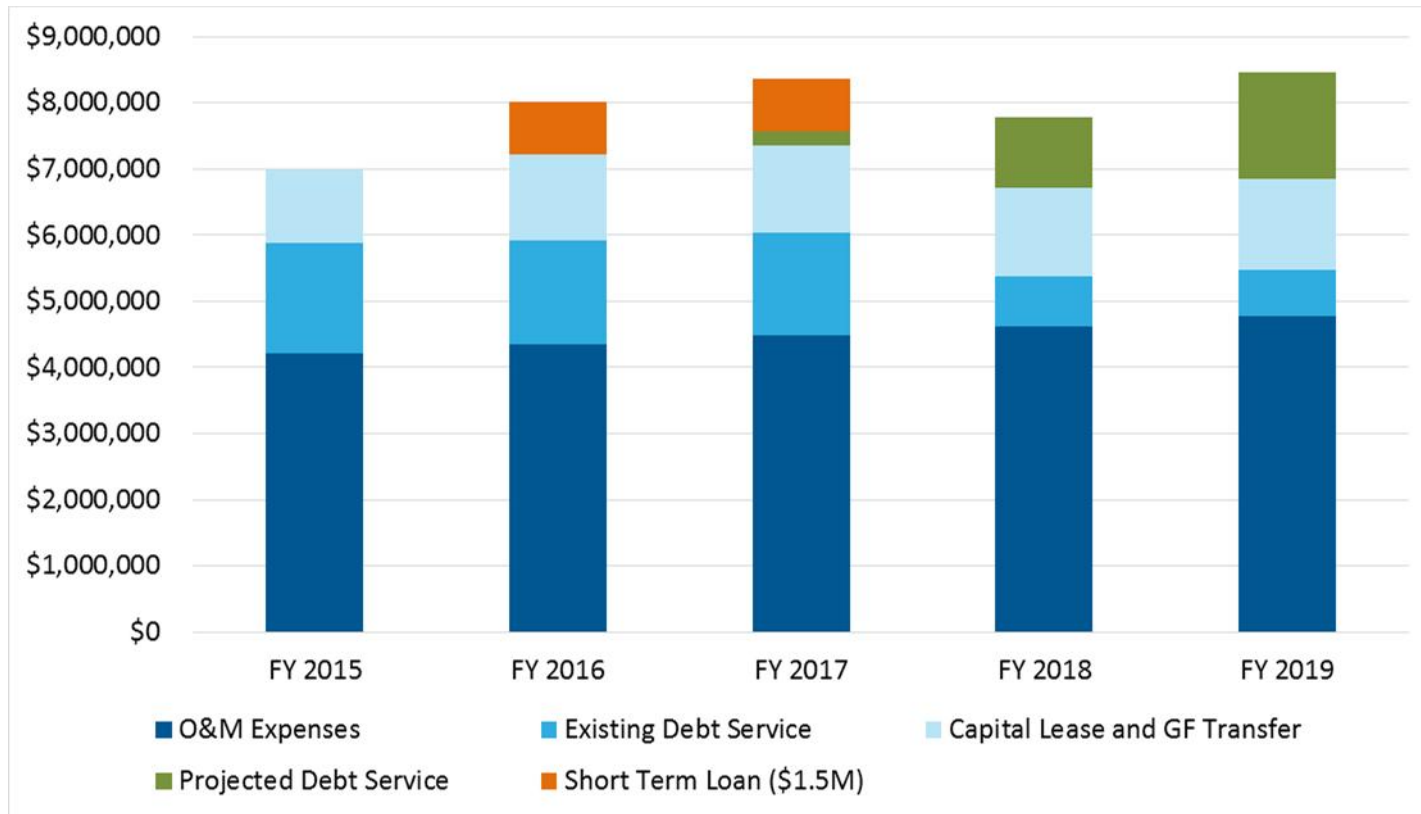
\* Includes plant expansion design costs only.

# Major Capital Expenditures

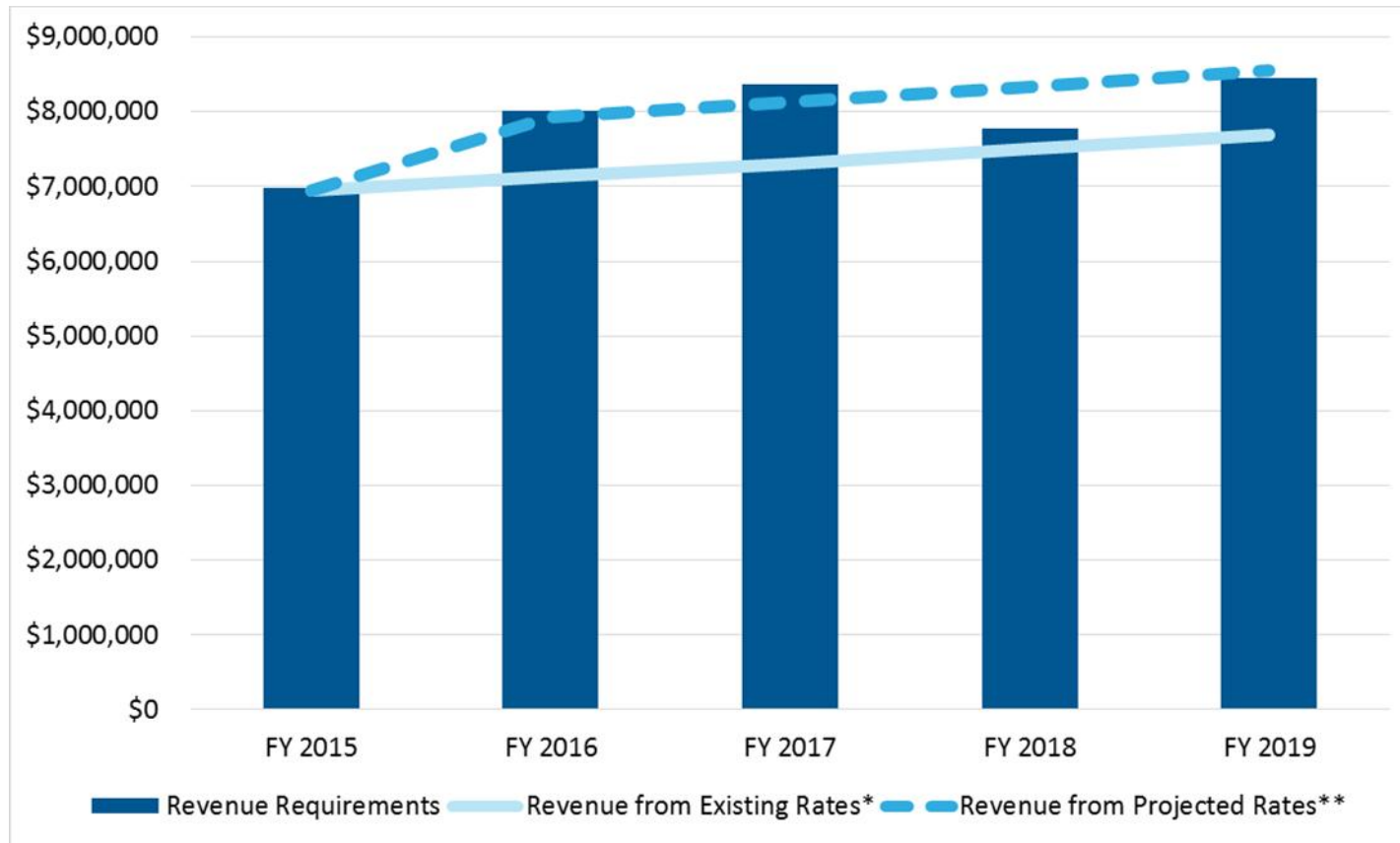
Capital funding plan recognizes limited utility cash resources, and relies on debt funding:

Description	Timeline	Project Cost	Funding
C-Street Phases 2&3	FYs 2015 – 2017	\$6.80M	SRF Loan
S.R. 60 Expansion	FYs 2016 – 2017	\$6.57M	Debt Funding and impact fees
Miscellaneous Smaller Projects:			
	FY 2015 – 2019	\$1.70M	Pay-go (reserves, impact fees, rate revenue)
	FY 2016 – 2019	\$11.10M	Debt Funding

# Projected Revenue Requirements



# Projected Revenue Sufficiency



\* Assumes 2.5% rate increase annually, per existing ordinance

\*\* Assumes an additional 12.0% rate increase above 2.5% expected

# Rate Adjustments

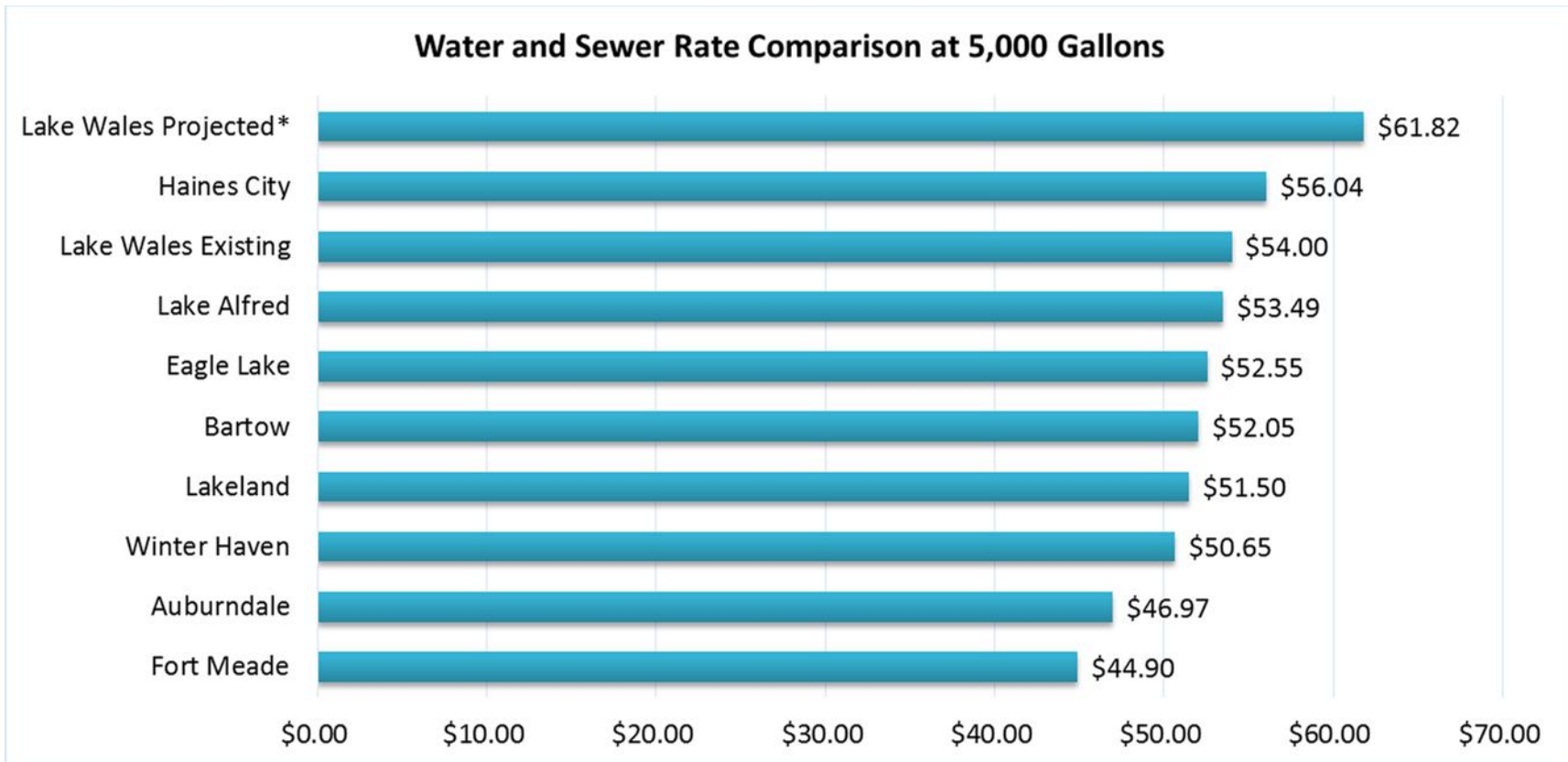
- Current rate ordinance provides for minimum annual adjustments of 2.5%
- Additional 12.0% rate adjustment estimated to complete the funding plan
  - Fully funded capital improvement program
  - Rebuild unrestricted utility reserves
  - Maintain adequate debt service coverage
  - Sustain annual general fund transfers

# Water and Sewer Bill Impact

Assuming across the board increases in water and sewer rates of 14.5%:

Single Family 5,000 Gallon User	Amount
Existing Bill (FY 2015 Rates)	\$54.00
Projected FY 2016 Rates	\$61.82
Difference	
Amount	\$7.82
Percent	14.5%

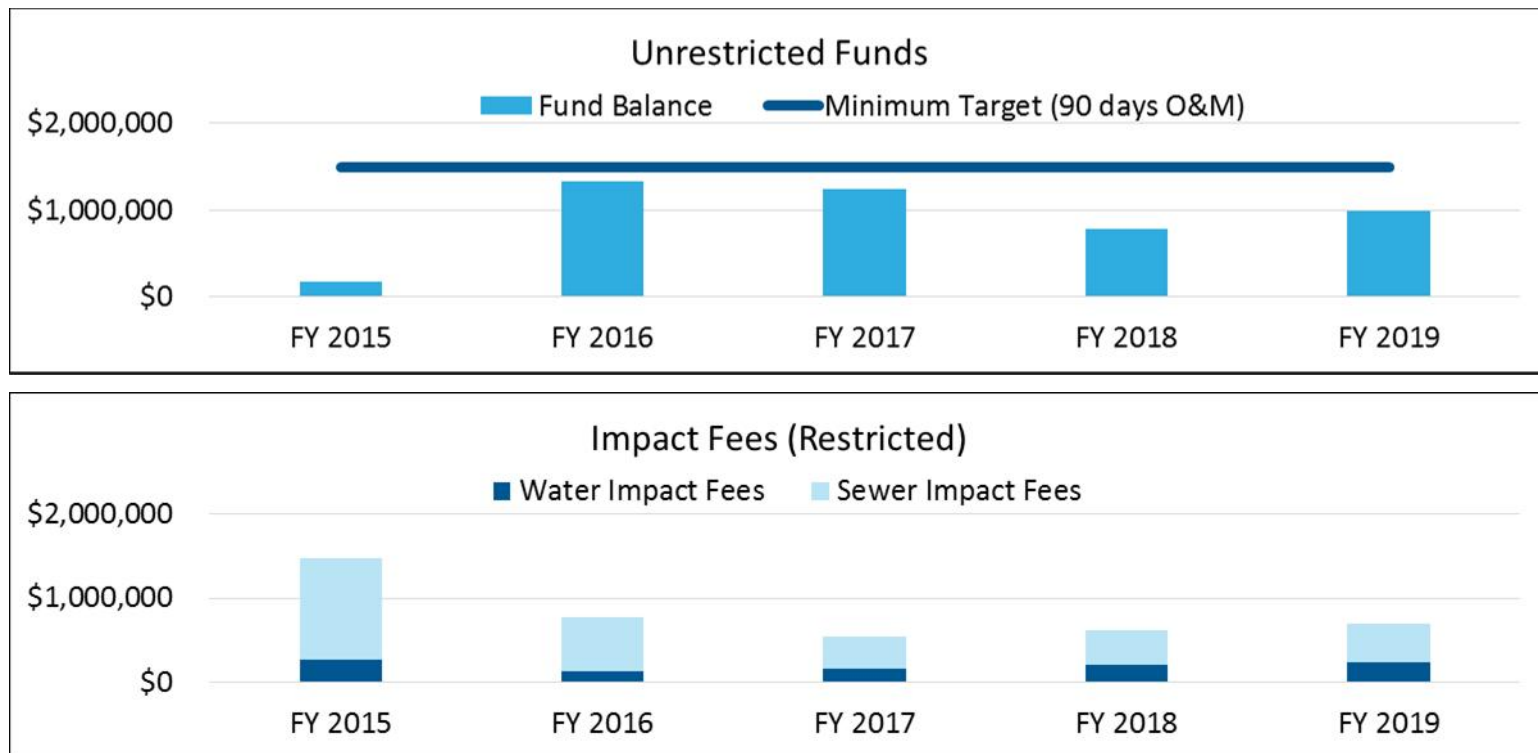
# Rate Comparison



\* Assuming full funding of the capital plan and rate adjustments of 14.5% as presented earlier in presentation.

# Utility Reserves

Beginning of FY Fund Balances\*:



\* Assuming rate adjustments as presented earlier in presentation.



# Conclusion

While the City's existing utility rates generate sufficient debt service coverage to meet its existing obligations, additional rate increases are needed in order for the City to fund 1) additional debt to complete its five year utility capital improvement plan; and 2) transfers to the general fund.