



Location: Virtual Meeting



Date: 5/26/2020



Time: 5pm

Finance Committee Meeting Agenda

Date: May 26, 2020

Time: 5:00 PM EST

Location: Virtual Zoom Meeting

I. Water and Sewer Rate Study

Committee to recommend approval of five-year plan to full council

II. Sanitation Fund

- a) Fund currently operating at a loss
- b) Solid Waste Management Authority Agreement
 - 1. Annual escalation factor for inflation, fuel, other operating costs
 - 2. City billing rates not adjusted annually, not keeping up with costs

III. Discussion- Fiscal Year 2021 Preliminary Budget

IV. Status Update and Completion Schedule for the Fiscal Year 2019 CAFR

City of Warner Robins

Water and Wastewater Rates and Fee Study

Summary of Study Results

Prepared on March 23, 2020



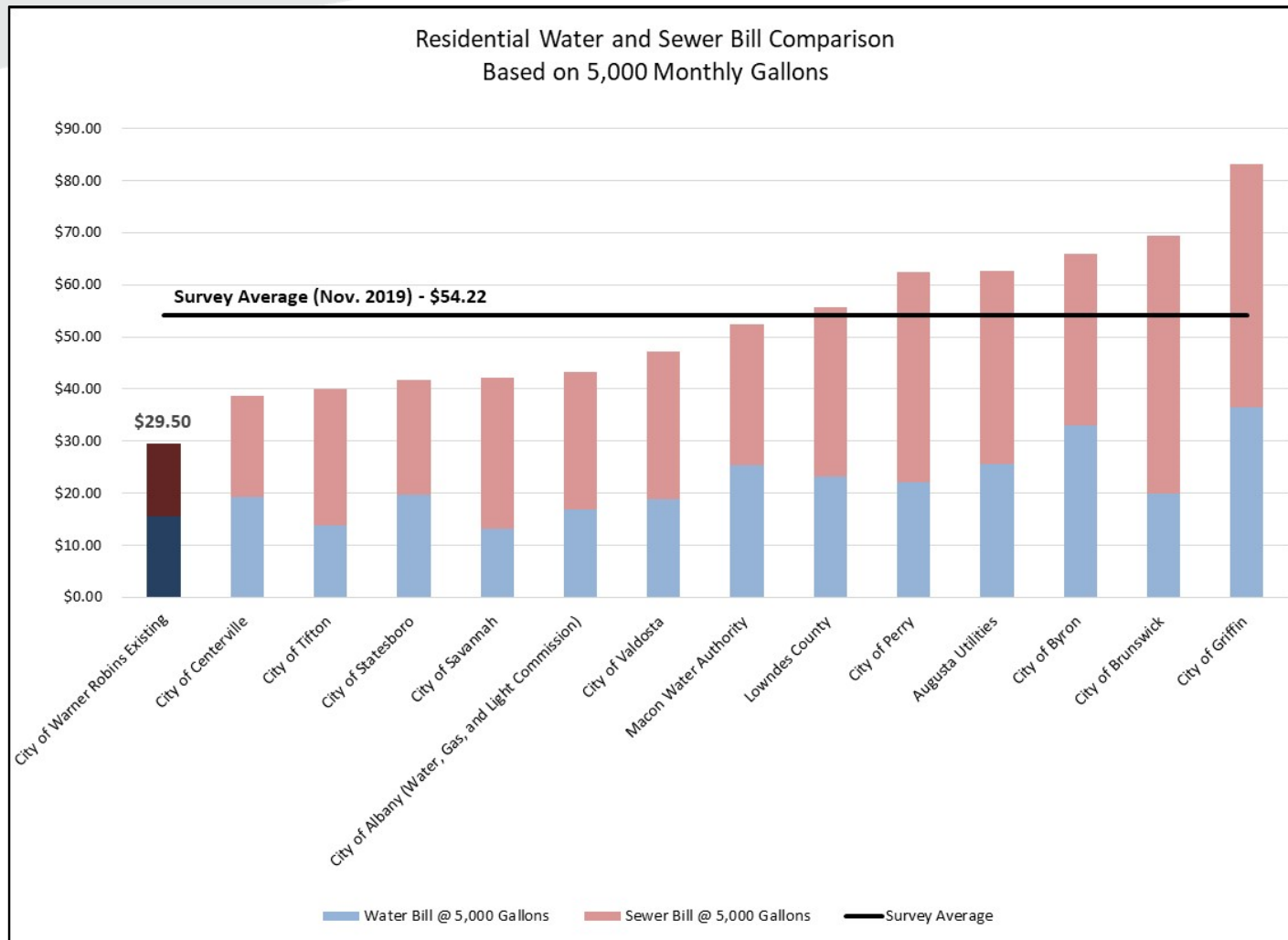
Discussion Topics

- Existing financial condition
- Rate study tasks
- City's proposed capital improvement plan
- Major study assumptions
- Adequacy of monthly water and wastewater rates
- Proposed adjustments to miscellaneous utility fees



Existing Financial Condition

- The City maintains the lowest residential water and wastewater rates when compared to neighboring utilities



Existing Financial Condition

- The City last increased its monthly rates for water and wastewater service in Fiscal Year 2016
- A rate study completed in May 2018 identified the need to increase utility rates over time to meet the existing and future expenditure requirements of the system
 - The rate study included significant capital costs associated with sewer expansion outside the City limits
 - The sewer expansion program was not adopted by the City Council and projected utility rate adjustments and proposed fees were not implemented
- The City's existing rates are not adequate to fund the annual operating and transfer requirements of the system
- The City plans to refinance a portion of the system's existing debt to take advantage of interest rate savings over the remaining financing term(s)



Existing Financial Condition – FY20^[1]

	Water	Wastewater	Total
Gross Revenues	\$8,957,289	\$8,383,402	\$17,340,691
Operating Expenses	\$7,310,562	\$7,050,242	\$14,360,804
Existing Debt Service Payments	\$317,922	\$2,020,313	\$2,338,235
General Fund Transfer	<u>\$1,086,050</u>	<u>\$964,550</u>	<u>\$2,050,600</u>
Total Expenditures	\$8,714,534	\$10,035,105	\$18,749,639
Amount Available for Capital and Future Debt Service	\$242,755	(\$1,651,703)	(\$1,408,948)
Percentage of Gross Revenues to Cover Current Operations Only	2.7%	(19.7%)	(8.1%)

[1] Amounts based on adopted FY20 budget, including adjustments as provided by City staff. When compared to budget, adjustments include a decrease in wastewater revenues of approximately \$300,000 based on year-to-date results and an increase in purchased water by \$900,000. An operating contingency of 1% or approximately \$157,000 was also recognized.

Annual Average Capital Funded from Rates = \$1.4 million per year

The City also plans to issue more than \$20 million in new debt



Study Tasks

- Prepare a five-year financial forecast
 - Develop a funding strategy to pay for system operations, including capital repairs and upgrades
 - Project revenue requirements to be recovered through monthly water and wastewater rates
 - Identify future rate adjustments
- Review and update miscellaneous utility fees
 - Service initiation, turn-on, tap fees, etc.



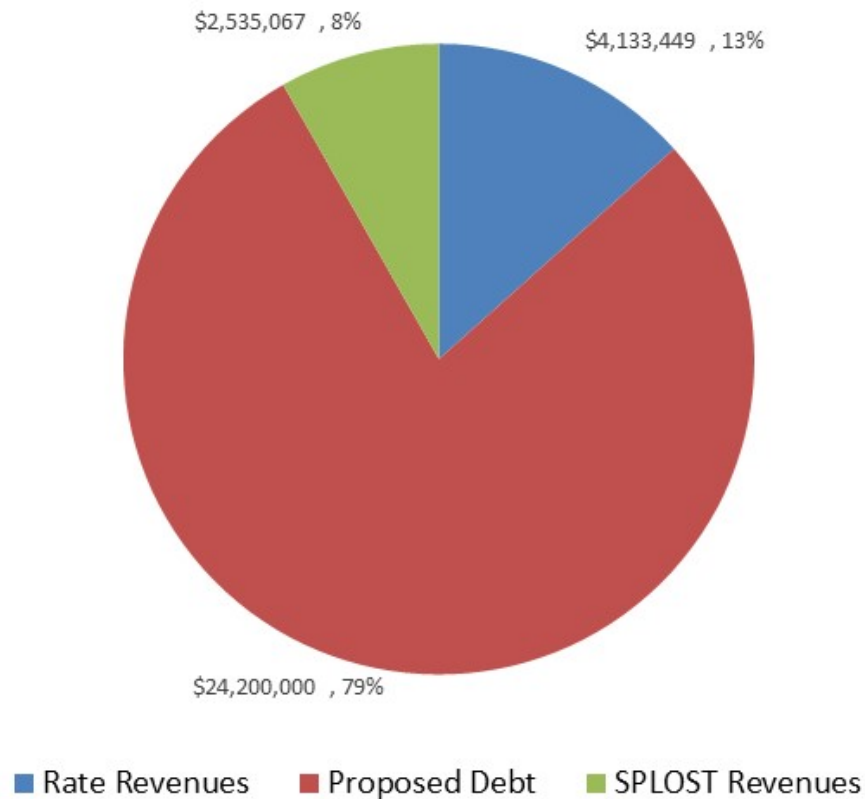
Capital Improvement Plan

- Total capital expenditures FY20-25 = \$30.9 million
- Includes capital for system renewal and replacement, service line extensions, and improvements
 - Annual average capital funded from rates = \$1.4 million per year
- Major capital projects include:
 - Peach County Industrial Park Storage Tank / Well = \$5.0 million
 - Sewer Main Upgrades – Bonaire Service Area = \$5.9 million
 - Sewer Main Upgrades – Kroger Service Area = \$5.0 million
- City adopted a reimbursement resolution in order to appropriate required funds to begin critical projects
 - Use of the reimbursement resolution will assist the City in phasing in required rate adjustments over the study period
- Proposed funding sources include a combination of monthly rate revenues, SPLOST, and future debt



Summary of CIP Funding Under Proposed Rates

Proposed Capital Improvement Funding at Proposed Rates



Projected Debt Service Assumptions Under Proposed Rates

Description	Series 2020 ^[1] Reimb. Bonds	Series 2020 ^[1] Ref. GEFA Loan	Series 2022 ^[1] Ref. 2012 Bonds	Series 2023 Bank Loan
Funds Needed	\$22,500,000	\$2,591,916	\$16,855,000	\$1,720,000
Project Duration	2020-2023	N/A	N/A	2023-2024
Total Loan Principal	\$22,730,000	\$2,645,000	\$16,955,000	\$1,895,000
Assumed Interest Rate	2.50%	0.78%	2.15%	4.25%
Fiscal Year of First Payment	2021	2021	2023	2023
Amortization Period (Years)	30	9	10	15
Annual Debt Service Payment	\$1,086,000	\$305,000 ^[2]	\$1,903,000 ^[3]	\$158,000

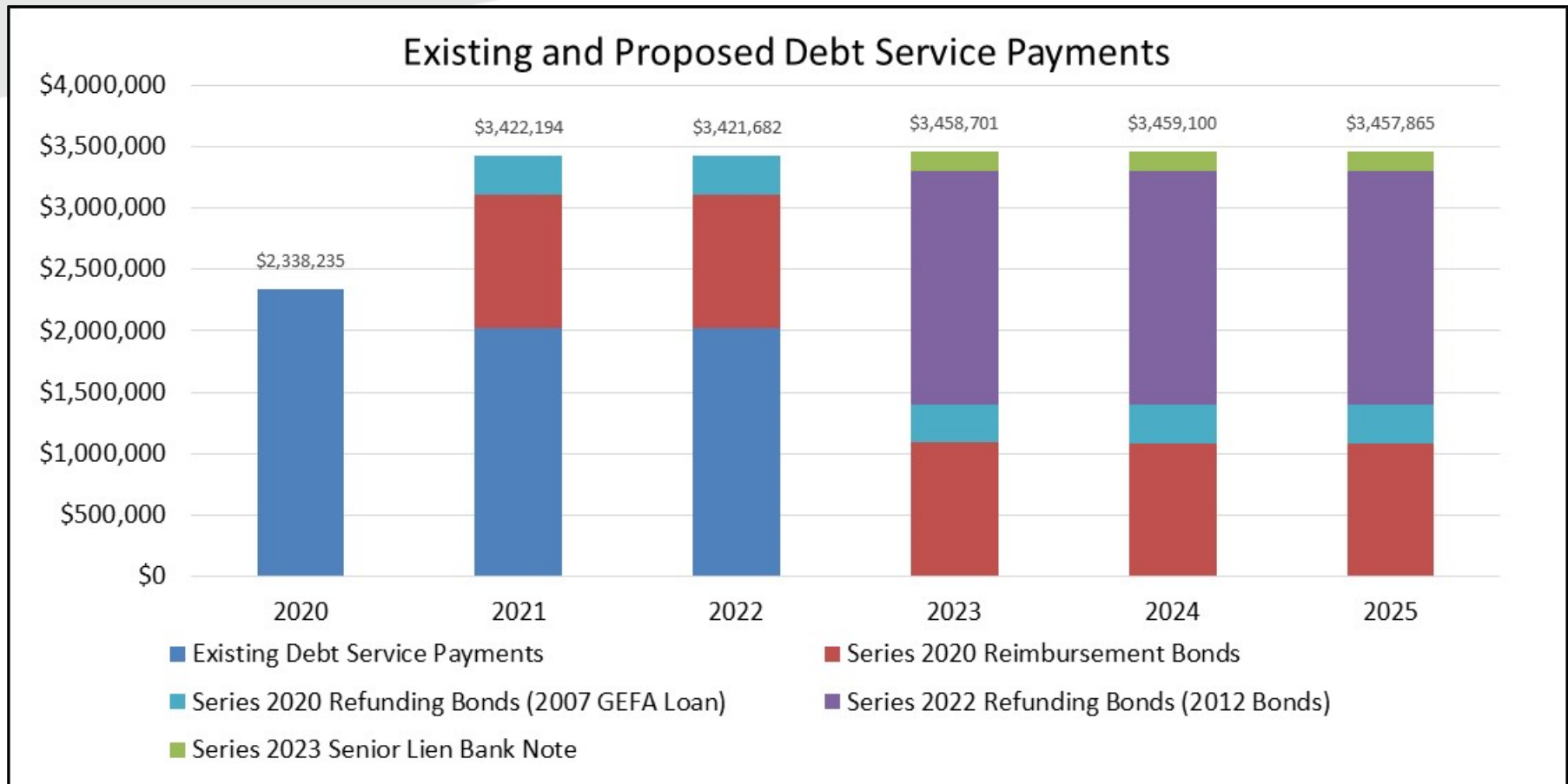
[1] Amounts based on information provided by the City's financial advisor. Terms and conditions subject to change.

[2] Existing payments average approximately \$318,000 per year.

[3] Existing payments average approximately \$2,021,000 per year.



Existing and Proposed Debt Service Under Proposed Rates

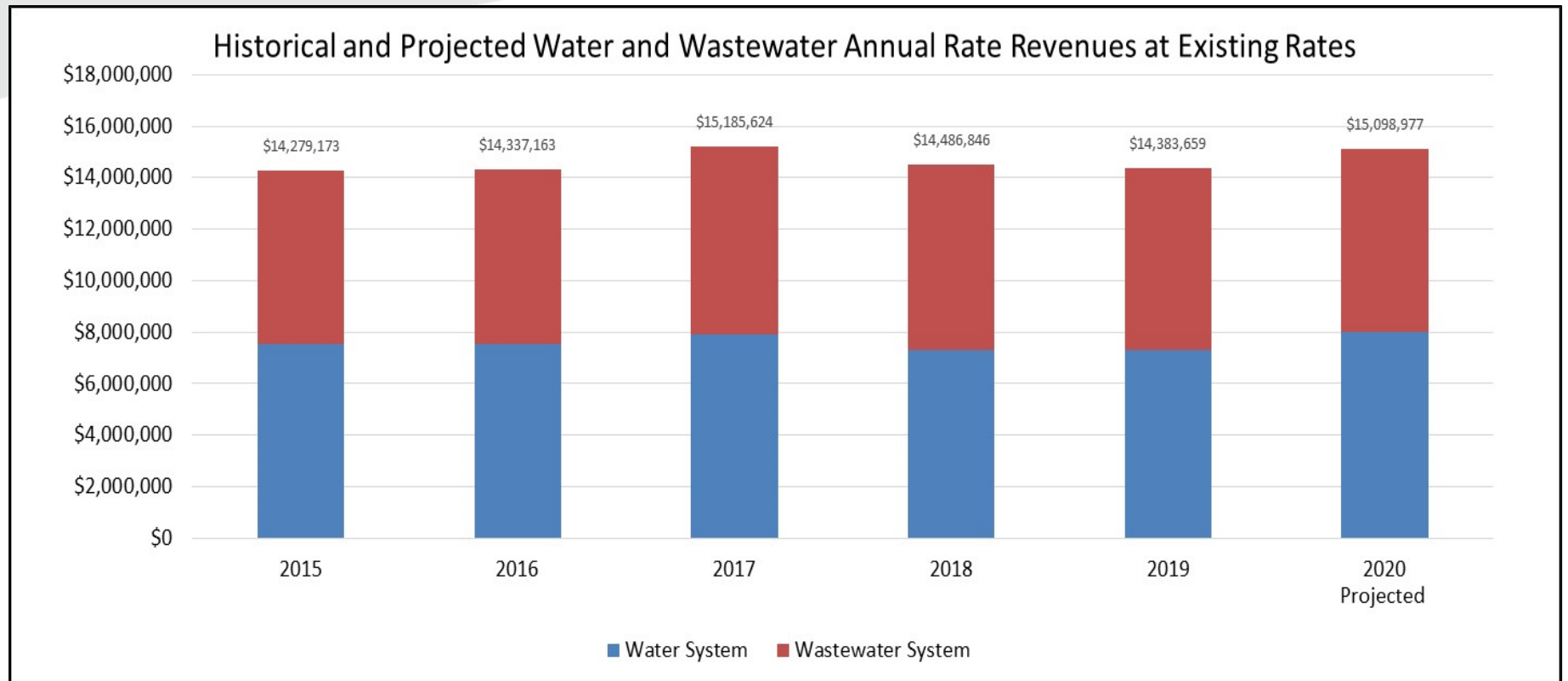


Review of Major Study Assumptions

- Financial forecast includes projections of:
 - Customer, sales, and revenues
 - Operating and maintenance expenses
 - Existing and proposed debt service payments
 - System renewal and replacement of existing facilities
 - Transfers to the General Fund to cover shared expenses



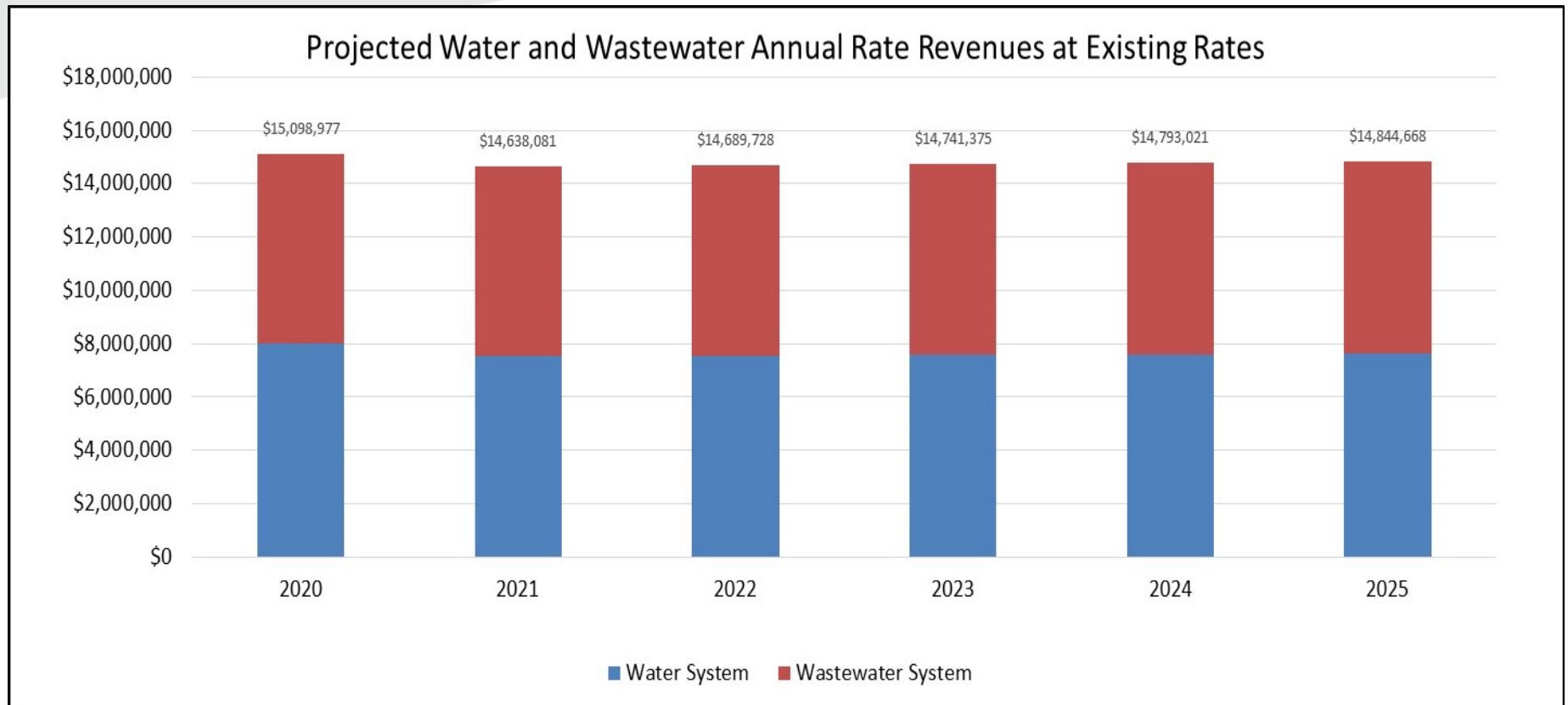
Historical Water and Wastewater Revenues



- Water sales vary from year to year / projected sales were based on the 5-year average



Projected Water and Wastewater Revenues Under Existing Rates



- New water and wastewater connections estimated at 150 per year or approximately 0.5% on average



Projected Operating Expenses

- Amounts based on the adopted FY20 budget, plus a 1% operating contingency
 - Includes a \$900,000 increase in purchased water costs from Houston County based on the County's recent rate increase and increased water consumption
- Projected expenses beyond FY20 based on the following annual inflationary adjustments:
 - Labor = 2.0%
 - Health insurance = 3.0%
 - General liability insurance = 3.0%
 - Repairs and maintenance = 3.0%
 - Fuel and utilities = 5.0%
 - Contract operations = 3.0%
 - General inflation (CPI) = 2.5%
- Incremental water expenses of approximately \$300,000 per year were recognized beginning on or after Nov. 1, 2021 following the Peach County Water Tank / Well Improvements
- Additional staffing needs were also identified as shown on the next slide

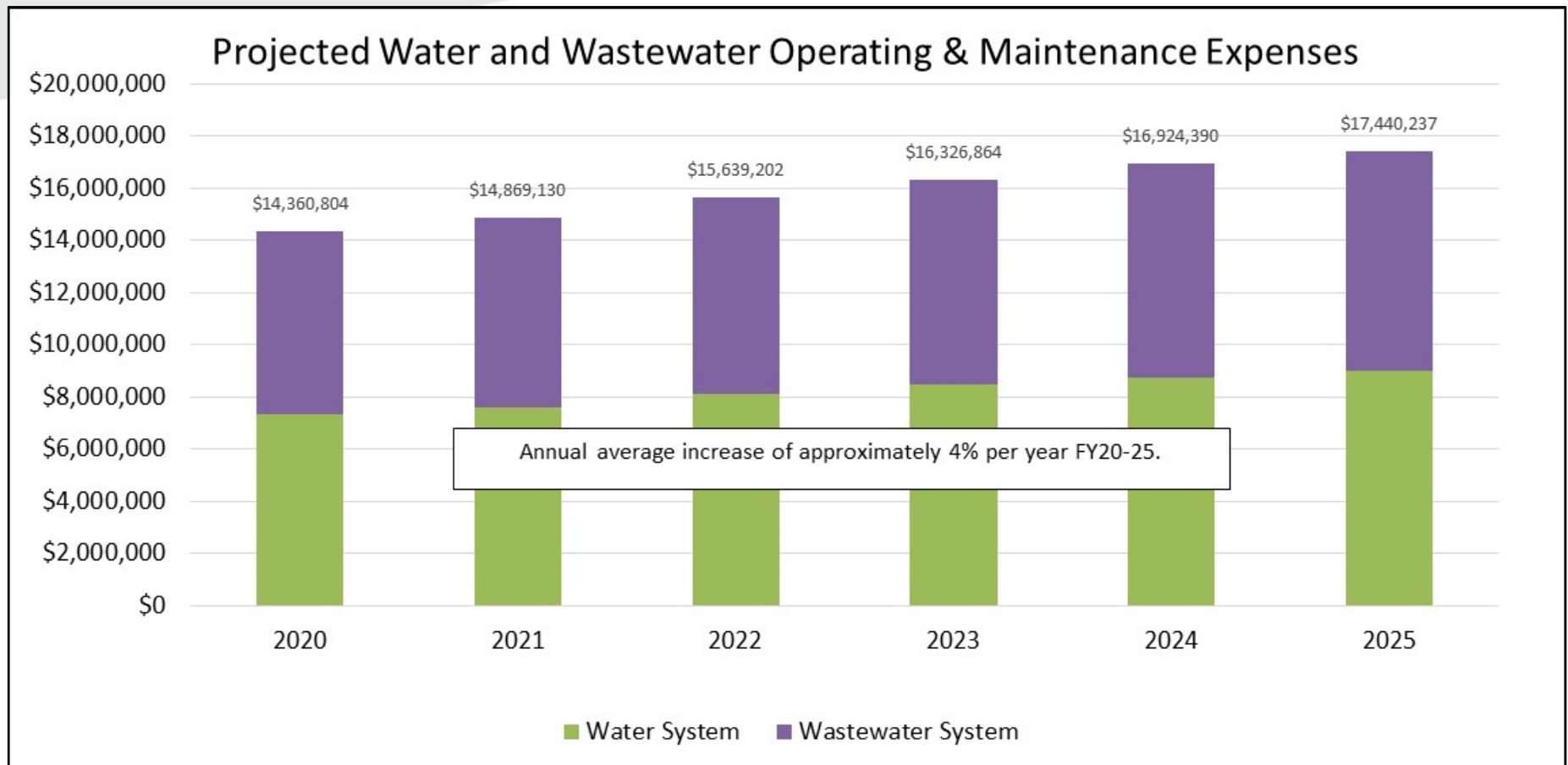


Summary of Additional Personnel Needs

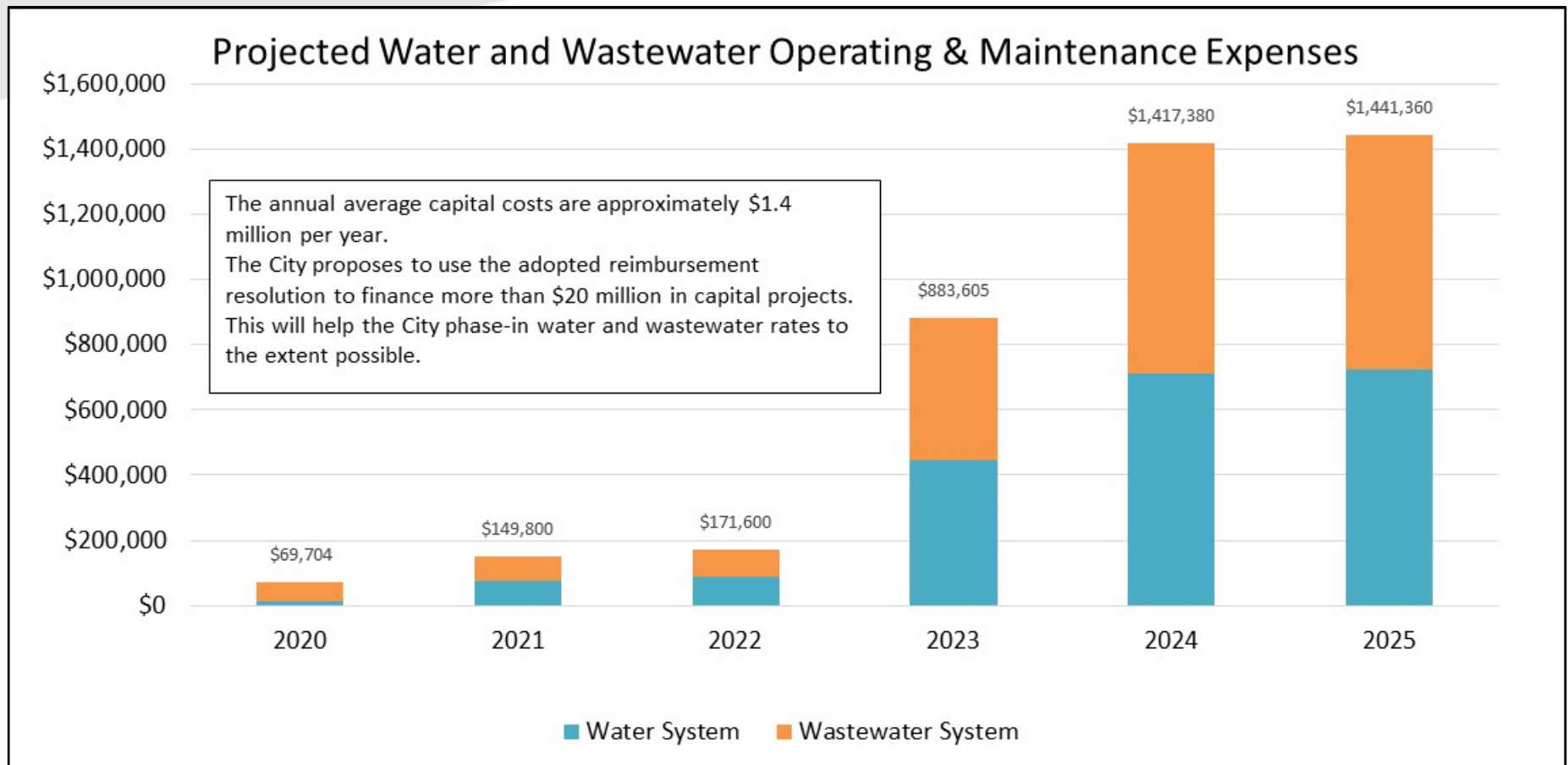
- Eight new personnel have been identified by City staff, which were phased in over a four-year period
 - One water crew leader
 - One water equipment operator
 - Two water maintenance workers
 - Two wastewater equipment operators
 - Two wastewater maintenance workers
- Two new positions were included in each year FY21-24
 - The first two positions in FY21 estimated to cost approximately \$104,000 in salary and benefits for the year
- Total additional annual salary and benefit costs estimated at approximately \$415,000 by FY25 based on funding all eight positions



Projected Water and Wastewater Operating Expenses



Projected Water and Wastewater Capital Funded from Rates

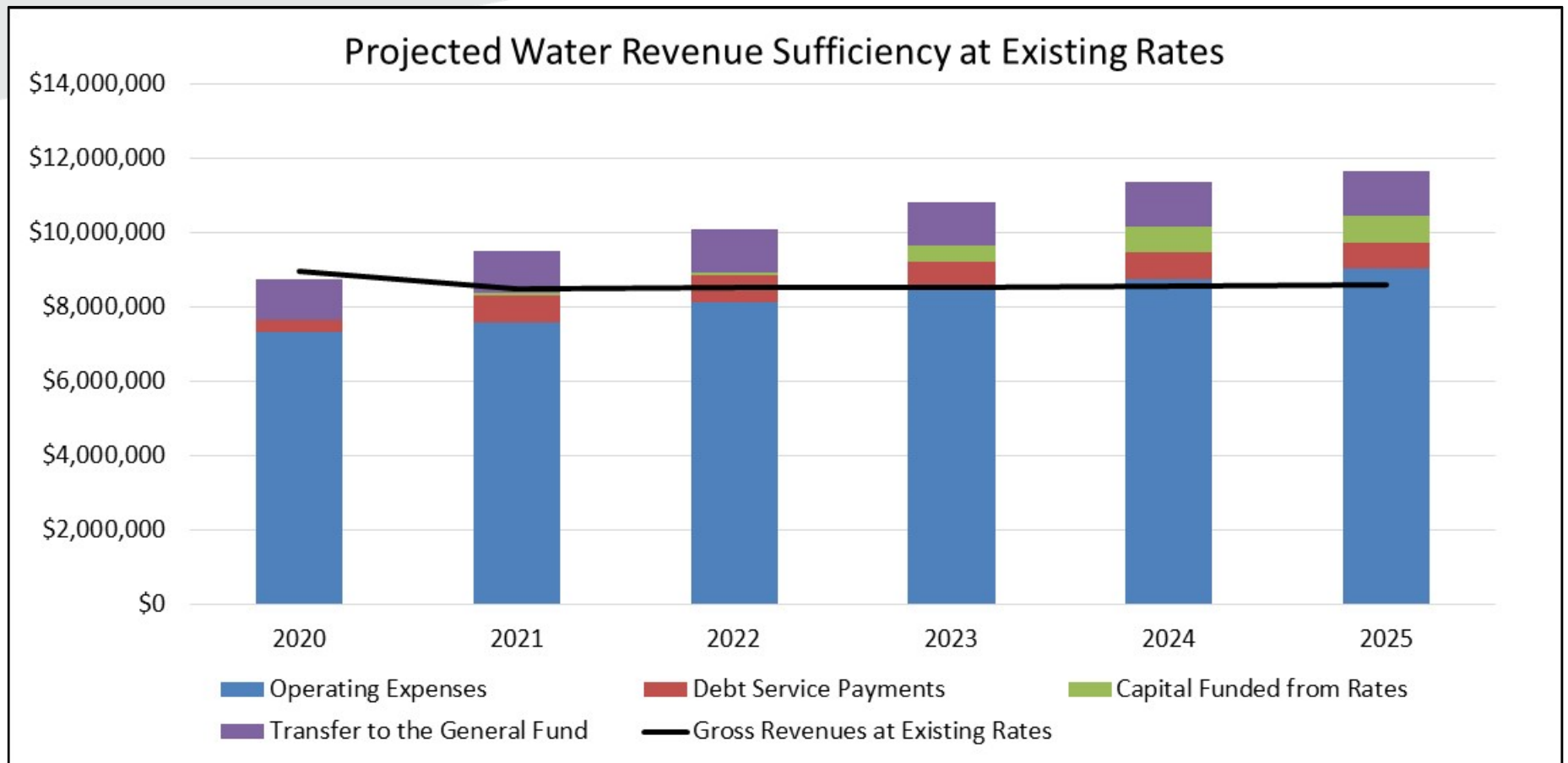


Projected General Fund Transfer

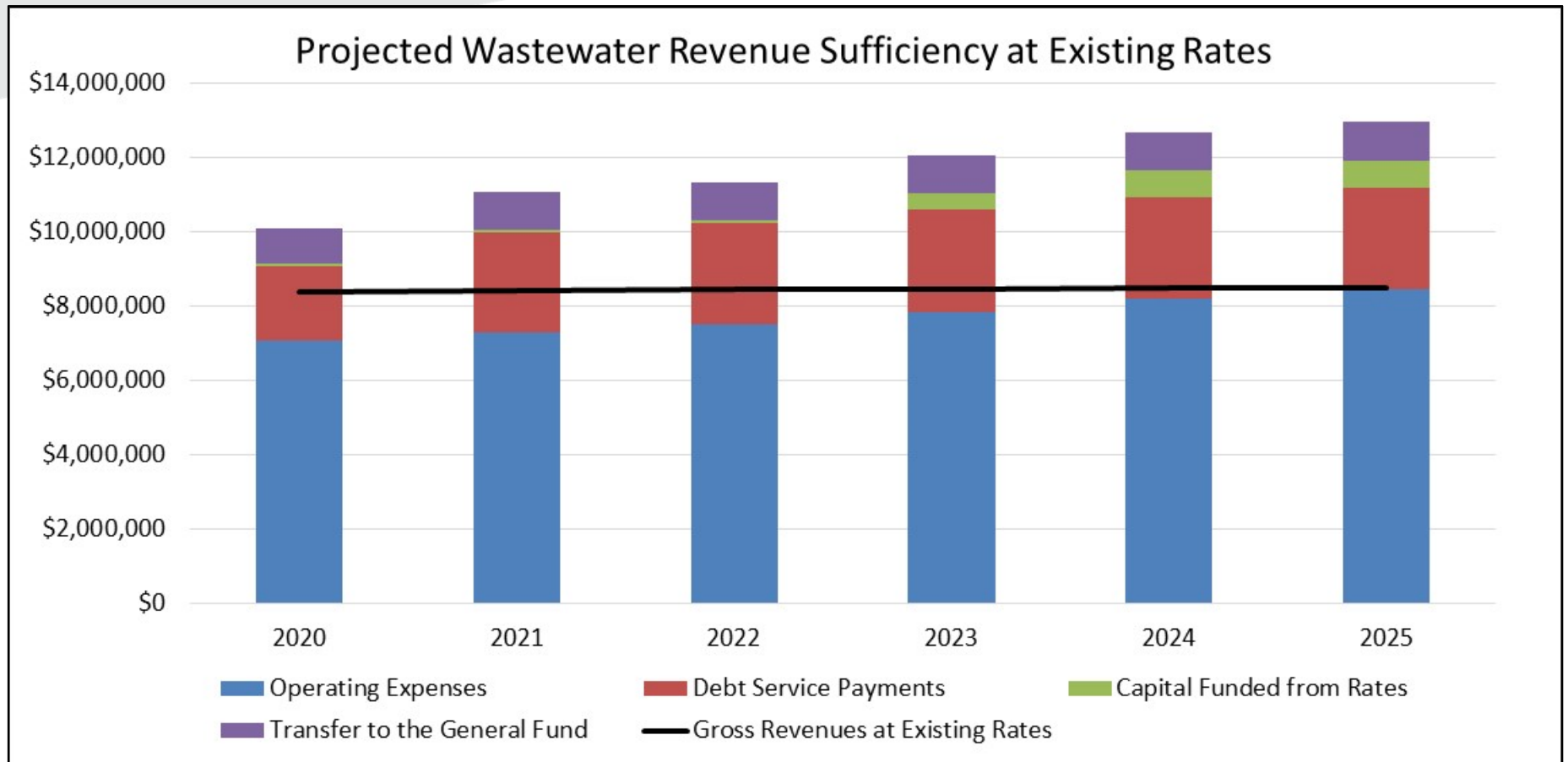
- Budgeted at \$2,050,600 for FY20
 - Allocated 53% to the water system and 47% to the wastewater system based on system rate revenues
- Increased 2.0% per year based on projected labor costs
- Amount increases from \$2.0 million in FY20 to \$2.3 million in FY25
- No significant changes in the City's transfer policy was anticipated for the study period



Projected Water Rate Sufficiency at Existing Rates



Projected Wastewater Rate Sufficiency at Existing Rates



Study Objectives and Planning Criteria

- Based on information provided by the City's financial advisor, the City plans to fund approximately \$22.5 million in Series 2020 Reimbursement Bonds
- The City may also take advantage of refunding options for its Series 2012 Bonds and GEFA Loan that could lower payments
- These strategies will help the City to phase in water and wastewater rates over the study period
- The following planning criteria were used to develop the rate plan:
 - Target a minimum operating reserve fund balance of not less than 120 days of operating and maintenance expenses
 - Target minimum senior lien debt service coverage of not less than 120%
- Due to the timing of capital projects and the need to issue new debt, the proposed rate path is primarily influenced by achieving the minimum debt service coverage target



Summary of Proposed Rate Increases

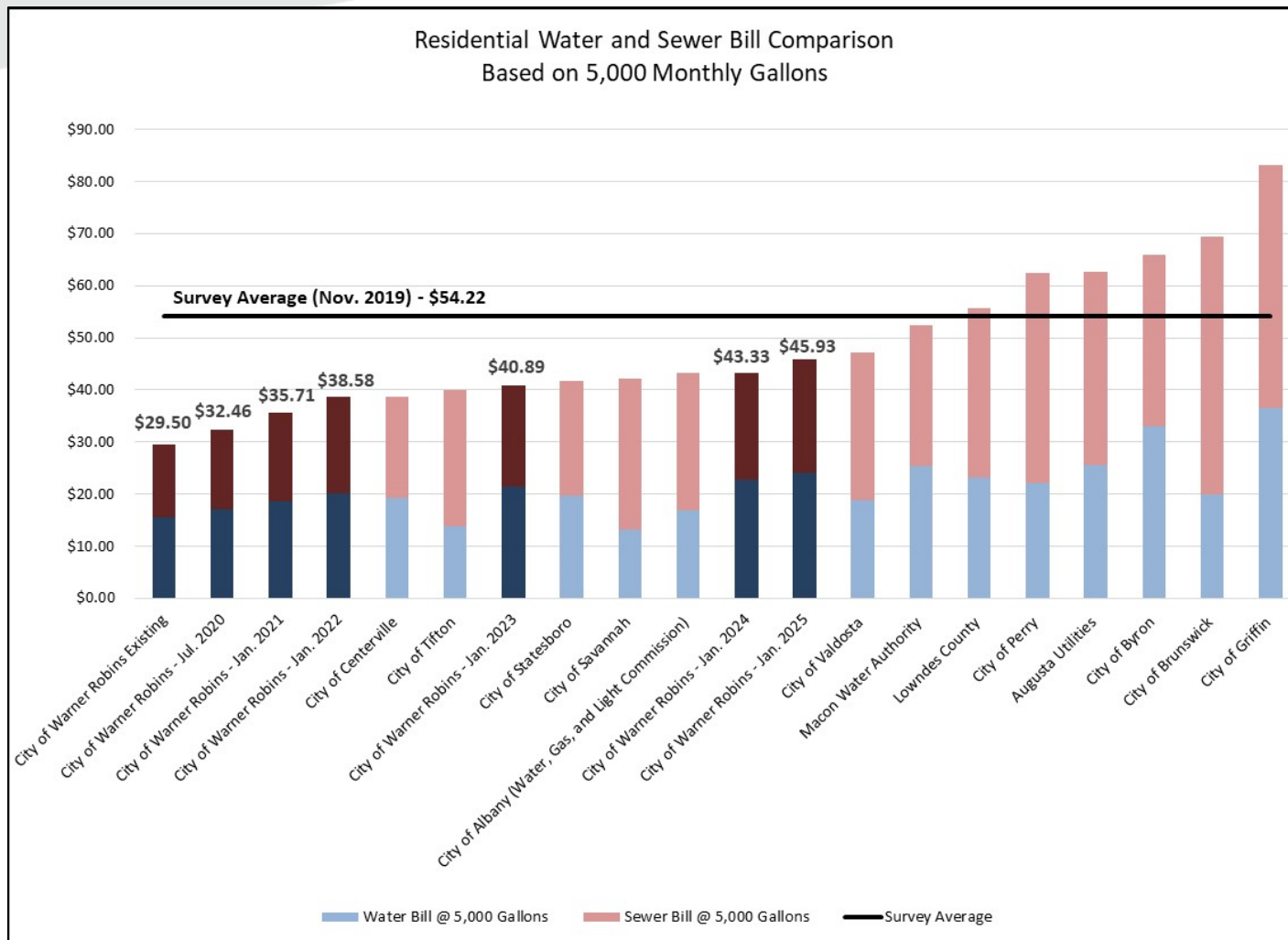
	Existing	2020	2021	2022	2023	2024	2025
Effective Month of Adjustment		Jul.	Jan.	Jan.	Jan.	Jan.	Jan.
Residential Water and Wastewater Monthly Bill ^[*]	\$29.50	<u>\$32.46</u>	<u>\$35.71</u>	<u>\$38.58</u>	<u>\$40.89</u>	<u>\$43.33</u>	<u>\$45.93</u>
Proposed Increase in Monthly Bill		\$2.96	\$3.25	\$2.87	\$2.31	\$2.44	\$2.60

[*] Average residential bill based on 5,000 monthly gallons of metered water use. The following rate adjustments were assumed for the study period:

		<u>Jul-20</u>	<u>Jan-21</u>	<u>Jan-22</u>	<u>Jan-23</u>	<u>Jan-24</u>	<u>Jan-25</u>
Proposed Rate Adjustments		10%	10%	8%	6%	6%	6%



Water and Wastewater Rate Comparison



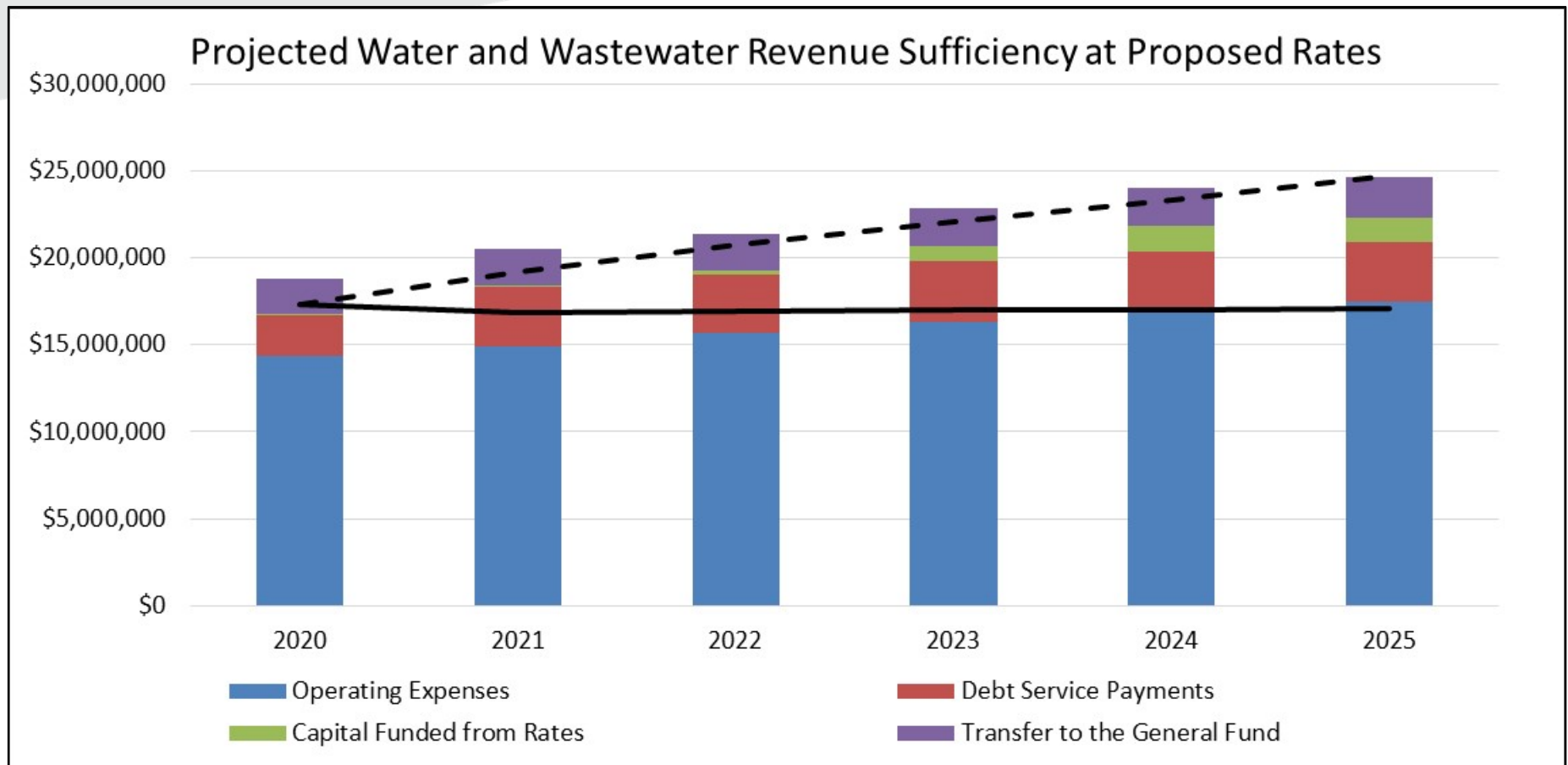
Summary of Financial Results Under Proposed Rates

	2020	2021	2022	2023	2024	2025
Debt Service Coverage	148%	125%	149%	166%	185%	210%
Minimum Coverage Target	120%	120%	120%	120%	120%	120%
Operating Cash Reserve Balance (Millions) ^[*]	\$9.7	\$8.3	\$7.7	\$6.9	\$6.2	\$6.3
Days of O&M Expenses	247	204	179	155	134	132
Target	120	120	120	120	120	120

[*] Projected year-ending operating reserve balances after considering reimbursement bonds to fund approximately \$22.5 million in capital projects and implementation of the proposed rates.



Projected Adequacy of Proposed Rates



Bulk Sewer Rate Analysis

- Bulk rate should be based on cost of service principals
 - Includes an equitable share of the backbone treatment and transmission costs to provide bulk wastewater service
 - Excludes the following costs:
 - Operation and maintenance of the onsite and local collection system
 - All retail-only expenses
- The proposed rate for FY21 is \$2.18 per thousand gallons (kgal)
 - Amount is approximately 60% of the retail cost
 - The proposed rate should be increased each fiscal year by the GDP Implicit Price Deflator Index
 - The proposed rate formula should be updated every five years based on the results of a rate study



Review of Miscellaneous Charges

- Staff provided costs by service type including labor and benefits, materials and supplies, and vehicle and equipment costs for the following charges in the prior study:
 - Account activation fee
 - Service charge for site visit / extra trip charge
 - Voluntary disconnect fee / turn-off
 - Standard reconnection fee / turn-on
 - Water installation and tap fee
 - Wastewater tap fee
- Amounts calculated in the 2018 rate study were updated to reflect current costs
- Appendix A provides a list of the proposed changes



Conclusions and Recommendations

- The City's existing water and wastewater rates are not adequate to meet the projected revenue requirements of the system over the study period
- The City should consider implementing the proposed rates and fees on or after July 1, 2020 and each January 1 thereafter
- The proposed bulk sewer rate should be adopted on or after July 1, 2020 and indexed annually each year
- Based on the proposed rates, the system is projected to maintain adequate debt service coverage and cash reserves over the study period
- The City should update this study within at least 3 years or when material changes to the financial plan are expected





Appendix A

Existing and Proposed Water and Wastewater Rates and
Miscellaneous Fees



Table A-1
City of Warner Robins, GA
Water and Wastewater Rate and Fee Study

Existing and Proposed Monthly Water and Wastewater Rates

Line No.	Description	Proposed Rate Increases					
		Existing	2020	2021	2022	2023	2024
	Effective Date		Jul. 1	Jan. 1	Jan. 1	Jan. 1	Jan. 1
	WATER SYSTEM						
	Proposed Rate Increases		10.00%	10.00%	8.00%	6.00%	6.00%
	Single Family Residential						
	Monthly Base Charge (Per Account)						
1	3/4" Meter	\$6.80	\$7.48	\$8.23	\$8.89	\$9.42	\$9.99
2	1 " Meter	8.71	9.58	10.54	11.38	12.06	12.78
	Consumption Charge						
3	All Metered Water Use	\$1.73	\$1.90	\$2.09	\$2.26	\$2.40	\$2.54
	Multi-Family Residential , Apartments and Mobile Homes						
	Monthly Base Charge (Per Unit x 75%)						
4	3/4" Meter	\$6.80	\$7.48	\$8.23	\$8.89	\$9.42	\$9.99
5	1 " Meter	8.71	9.58	10.54	11.38	12.06	12.78
	Consumption Charge						
6	All Metered Water Use	\$1.73	\$1.90	\$2.09	\$2.26	\$2.40	\$2.54
	Commercial / Industrial						
	Monthly Base Charge (Per Account)						
7	3/4" Meter	\$10.02	\$11.02	\$12.12	\$13.09	\$13.88	\$14.71
8	1 " Meter	12.83	14.11	15.52	16.76	17.77	18.84
9	1.25 " Meter	17.64	19.40	21.34	23.05	24.43	25.90
10	1.5 " Meter	20.85	22.94	25.23	27.25	28.89	30.62
11	2 " Meter	28.86	31.75	34.93	37.72	39.98	42.38
12	3 " Meter	56.12	61.73	67.90	73.33	77.73	82.39
13	4 " Meter	100.20	110.22	121.24	130.94	138.80	147.13
14	6 " Meter	200.40	220.44	242.48	261.88	277.59	294.25
	Consumption Charge						
15	All Metered Water Use	\$2.59	\$2.85	\$3.14	\$3.39	\$3.59	\$3.81
	Multi-Commercial / Multi-Industrial						
	Monthly Base Charge (Per Unit x 100%)						
16	All Meter Sizes	\$6.80	\$7.48	\$8.23	\$8.89	\$9.42	\$9.99
	Consumption Charge						
17	All Metered Water Use	\$2.59	\$2.85	\$3.14	\$3.39	\$3.59	\$3.81
	Temporary Water Service / Hydrant Meter						
	Monthly Base Charge						
18	Less than 1 " Meter	\$7.04	\$7.74	\$8.51	\$9.19	\$9.74	\$10.32
19	1 " Meter or 3 " Meter	\$25.00	\$27.50	\$30.25	\$32.67	\$34.63	\$36.71
	Consumption Charge						
20	All Meter Sizes	\$2.35	\$2.59	\$2.85	\$3.08	\$3.26	\$3.46

Table A-1
City of Warner Robins, GA
Water and Wastewater Rate and Fee Study

Existing and Proposed Monthly Water and Wastewater Rates

Line No.	Description	Proposed Rate Increases					
		Existing	2020	2021	2022	2023	2024
	Effective Date		Jul. 1	Jan. 1	Jan. 1	Jan. 1	Jan. 1
	WASTEWATER SYSTEM						
	Proposed Rate Increases		10.00%	10.00%	8.00%	6.00%	6.00%
	Single Family Residential						
	Monthly Base Charge (Per Account)						
21	3/4" Meter	\$6.80	\$7.48	\$8.23	\$8.89	\$9.42	\$10.59
22	1 " Meter	8.71	9.58	10.54	11.38	12.06	13.55
	Consumption Charge						
	All Metered Water Use Up to the Sewer						
23	Maximum (As Adopted by the City)	\$1.45	\$1.60	\$1.76	\$1.90	\$2.01	\$2.26
	Multi-Family Residential , Apartments and Mobile Homes						
	Monthly Base Charge (Per Unit x 75%)						
24	3/4" Meter	\$6.80	\$7.48	\$8.23	\$8.89	\$9.42	\$10.59
25	1 " Meter	8.71	9.58	10.54	11.38	12.06	13.55
	Consumption Charge						
	All Metered Water Use						
26		\$1.45	\$1.60	\$1.76	\$1.90	\$2.01	\$2.26
	Commercial / Industrial						
	Monthly Base Charge (Per Account)						
27	3/4" Meter	\$10.02	\$11.02	\$12.12	\$13.09	\$13.88	\$15.59
28	1 " Meter	12.83	14.11	15.52	16.76	17.77	19.97
29	1.25 " Meter	17.64	19.40	21.34	23.05	24.43	27.45
30	1.5 " Meter	20.85	22.94	25.23	27.25	28.89	32.46
31	2 " Meter	28.86	31.75	34.93	37.72	39.98	44.92
32	3 " Meter	56.12	61.73	67.90	73.33	77.73	87.33
33	4 " Meter	100.20	110.22	121.24	130.94	138.80	155.96
34	6 " Meter	200.40	220.44	242.48	261.88	277.59	311.91
	Consumption Charge						
	All Metered Water Use						
35		\$2.12	\$2.33	\$2.56	\$2.76	\$2.93	\$3.30
	Multi-Commercial / Multi-Industrial						
	Monthly Base Charge (Per Unit x 100%)						
36	All Meter Sizes	\$6.80	\$7.48	\$8.23	\$8.89	\$9.42	\$10.59
	Consumption Charge						
	All Metered Water Use						
37		\$2.12	\$2.33	\$2.56	\$2.76	\$2.93	\$3.30
	Sewer Bulk Rate						
38	All Metered Water Use	\$1.73	\$2.18	<i>Amount to be adjusted annually by the change in the GDP Implicit Price Deflator Index.</i>			
	Sewer Only Charges [*]						
39	Single Family Residential (Per Account)	\$19.55	\$21.43	\$23.57	\$25.46	\$26.99	\$30.33
40	Multi-Family Residential, Apartments and Mobile Home (Per Unit)	19.55	16.07	17.68	19.09	20.24	22.74
41	[*] Additional Charge for Outside City Customers	40.00	40.00	40.00	40.00	40.00	40.00

Table A-2
City of Warner Robins, Georgia
Water and Wastewater Rates and Fee Study

Existing and Proposed Miscellaneous Service Charges

Line No.	Description	Existing Fees	Proposed Fees
Utility Service Charges (Selected)			
1	Reconnection Repeat Trips For The Same Work Order Service Charge	\$20.00	\$25.00 [1]
2	Account Transfer Fee	90.00	65.00 [2]
3	Failure To Set Up Account Where Service Has Been Used	35.00	130.00 [3]
Water Connection Fees / Fireline Tap			
4	3/4" Inside The City	\$750.00	\$760.00 [1]
5	1" Inside The City	938.00	950.00 [4]
6	1 1/2" Inside The City	1,500.00	1,520.00 [4]
7	2" Inside The City	3,675.00	3,730.00 [4]
8	3" Inside The City	5,625.00	5,710.00 [4]
9	4" Inside The City	8,250.00	8,370.00 [4]
10	6" Inside The City	15,000.00	15,220.00 [4]
11	3/4" Outside The City	\$1,050.00	\$1,065.00 [5]
12	1" Outside The City	1,313.00	1,335.00 [5]
13	1 1/2" Outside The City	2,100.00	2,130.00 [5]
14	2" Outside The City	5,100.00	5,175.00 [5]
15	3" Outside The City	7,875.00	7,990.00 [5]
16	4" Outside The City	11,550.00	11,720.00 [5]
17	6" Outside The City	21,000.00	21,310.00 [5]
18	Additional Unit Charge For Manufactured Home Parks, Apartment Buildings & Other Multi-Family Buildings (Inside City)	\$150.00	\$150.00
19	Additional Unit Charge For Manufactured Home Parks, Apartment Buildings & Other Multi-Family Buildings (Outside City)	200.00	200.00
Firelines Tap Fee			
20	By Size Per Inch	\$100.00	See Water Connection Fee
Sewer Connection Fees			
21	Primary Unit Tap Inside The City	\$750.00	\$760.00 [1]
22	Primary Unit Tap Outside The City	1,050.00	1,065.00 [5]
23	Additional Unit Charge For Manufactured Home Parks, Apartment Buildings & Other Multi-Family Buildings (Inside The City)	\$150.00	\$150.00
24	Additional Unit Charge For Manufactured Home Parks, Apartment Buildings & Other Multi-Family Buildings (Outside The City)	200.00	200.00
Private Waste Hauler Fees			
25	Septic Hauler Fee (Inside The City)	75.00	90.00 [6]
26	Septic Hauler Minimum Per 2Kgal	50.00	60.00 [6]

Footnotes:

- [1] Amount based on current costs as provided by City staff.
- [2] Amount reduced and set equal to the account activation fee.
- [3] Tampering fine set equal to twice (2 times) the Activation Fee.
- [4] Amount based on the City's existing meter size relationships.
- [5] Amounts based on a 40% surcharge as adopted by the City Council.
- [6] Amounts based on the proposed FY21 wastewater rate increases.