

CITY OF  
**Marquette**

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Water, Wastewater and Stormwater Financial Plans

July 30, 2018



# Agenda

1. Overview of Financial Planning Process
2. Water, Sewer and Stormwater Financial Plans
3. Water and Sewer Rate Design Options and Impacts



# Utility Financial Planning

## Purpose:

To determine the level of rate revenues necessary to achieve ensure financially sustainable water, wastewater and stormwater utilities.

## Process:

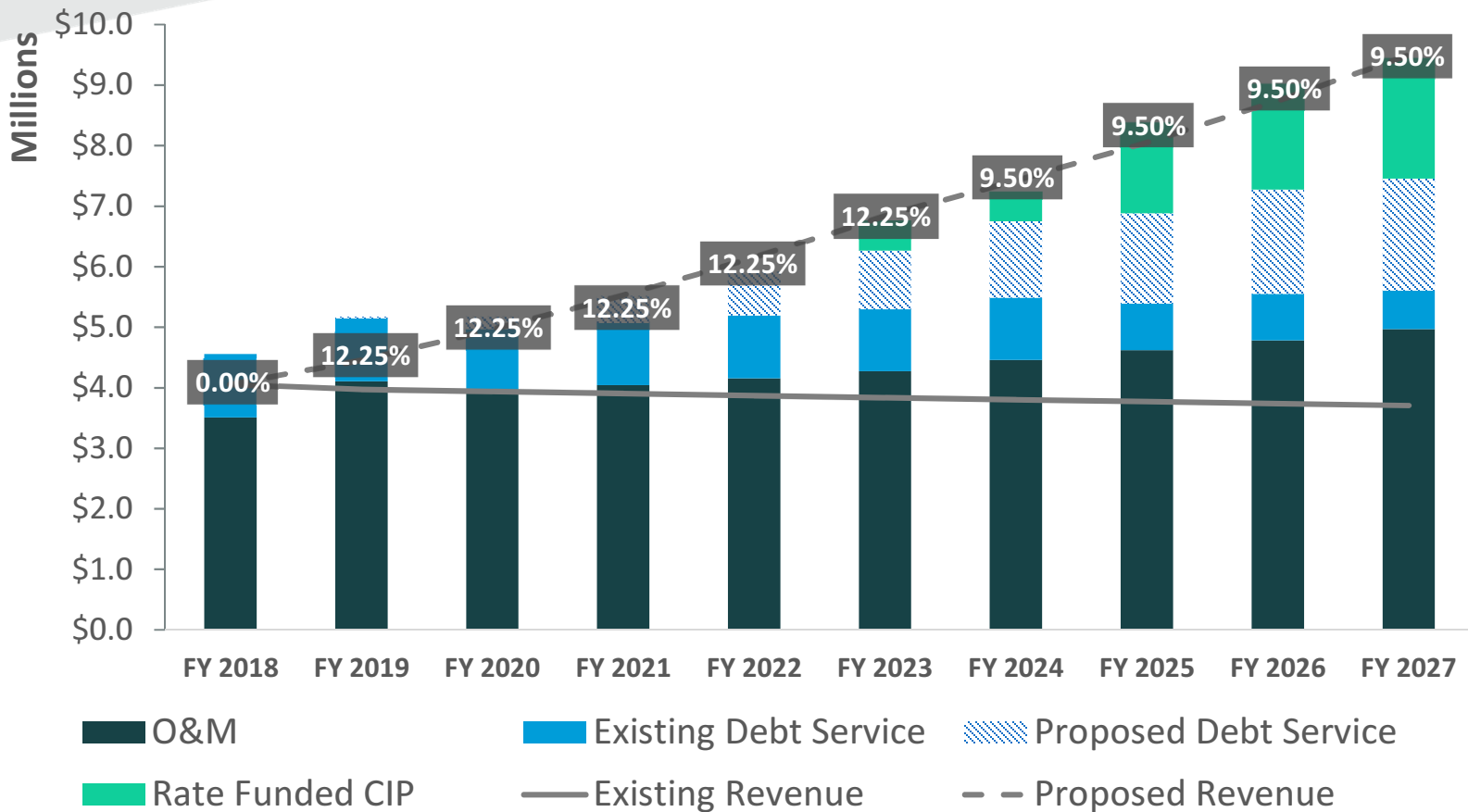
1. Forecast Revenue Under Existing Rates
2. Forecast Operating Expenditures
3. Forecast Capital Expenditures
4. Identify Adjustments to Revenue to Meet Financial Objectives:
  - a) 90 Days (25%) of O&M and Debt Service in Reserves
  - b) Debt Service Coverage of 1.25x annual debt service
  - c) Begin Cash Funding Some Projects



# Financial Plans

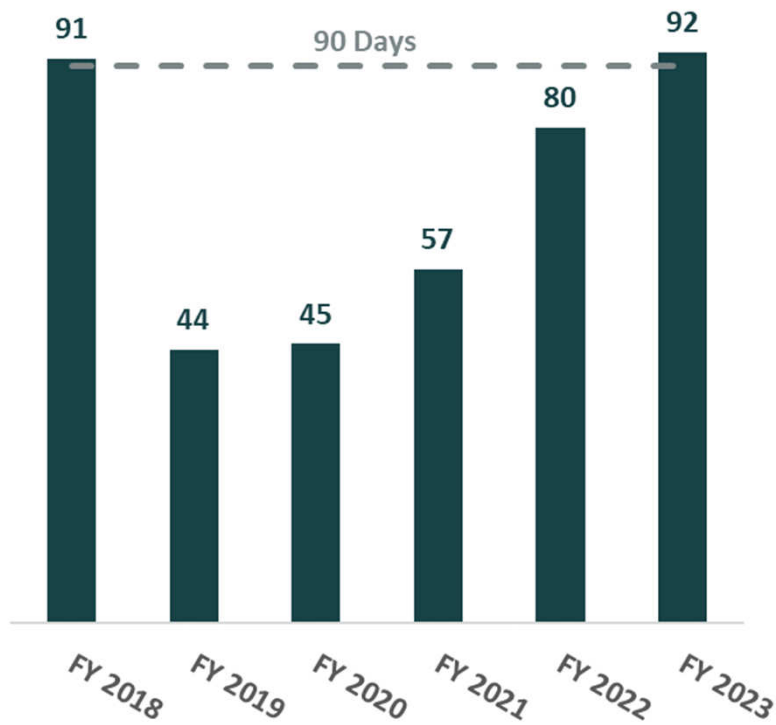


# Water Financial Plan

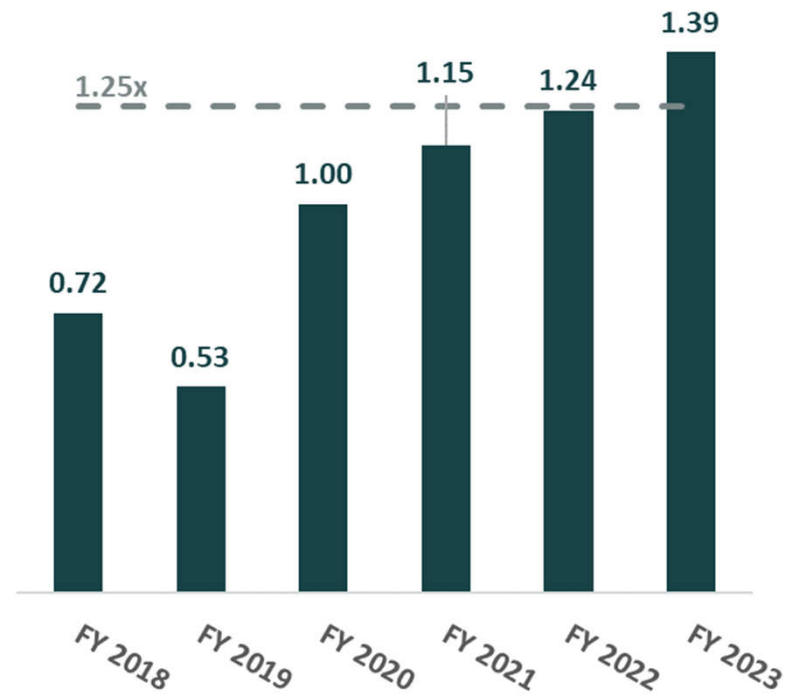


# Water Financial Performance Indicators

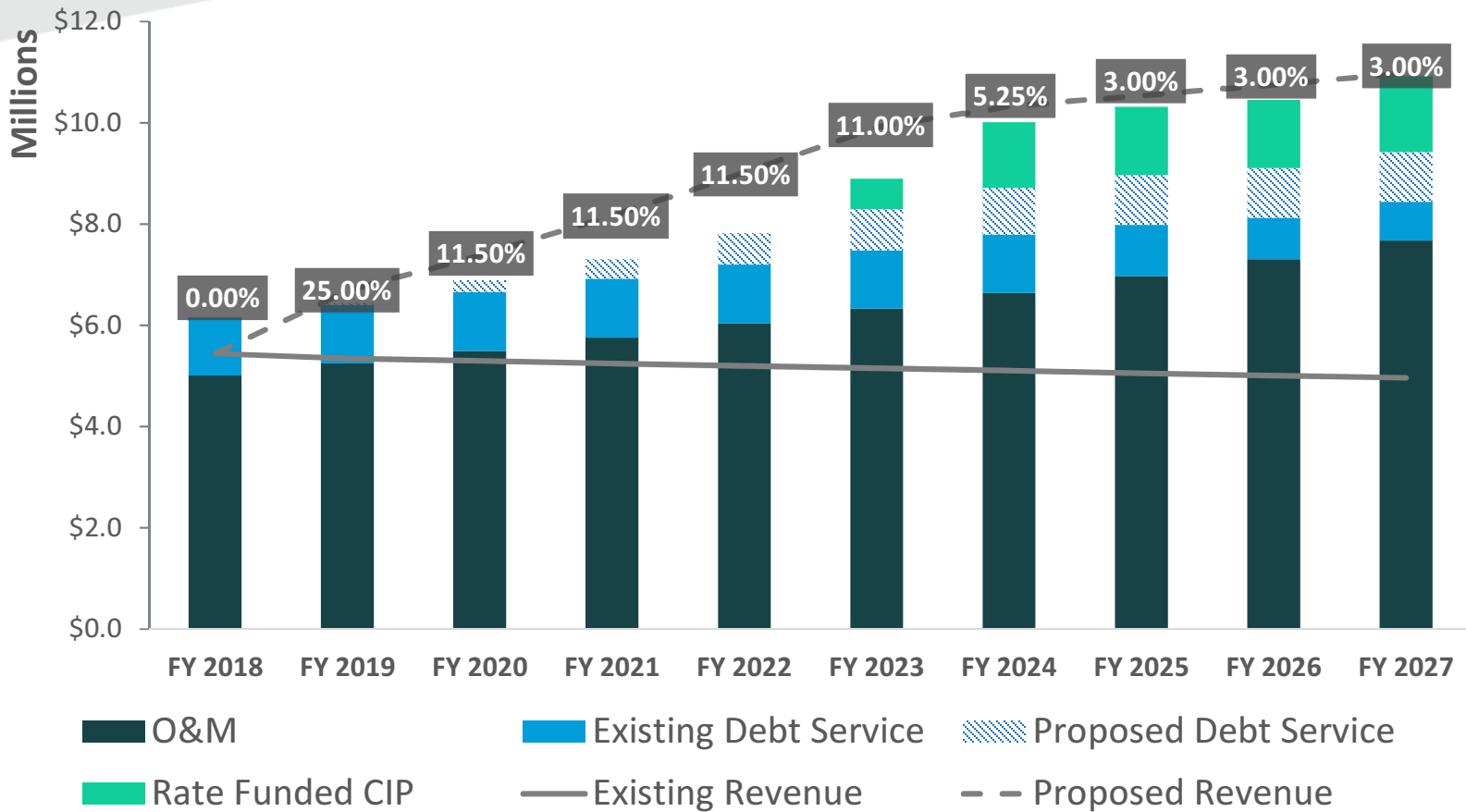
## Reserve Balance



## Debt Service Coverage

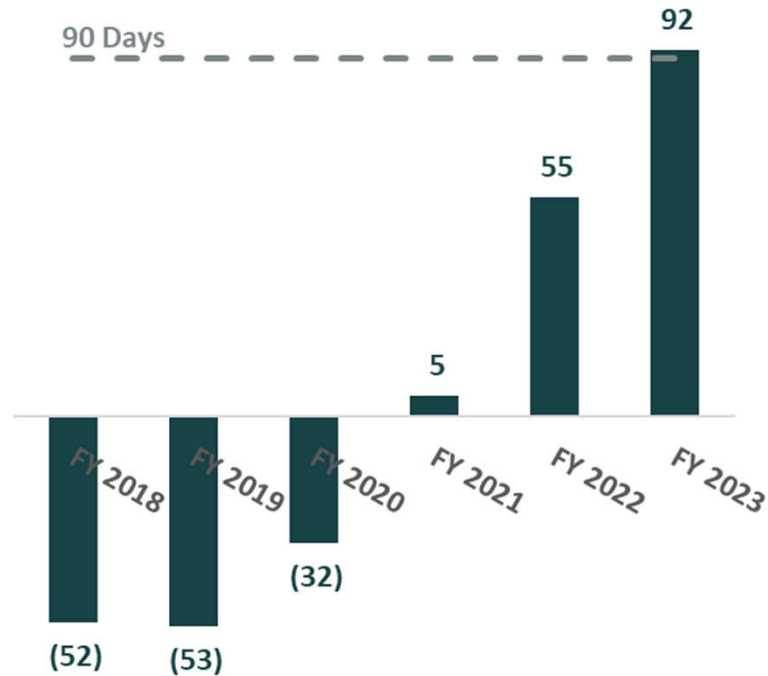


# Sewer Financial Plan

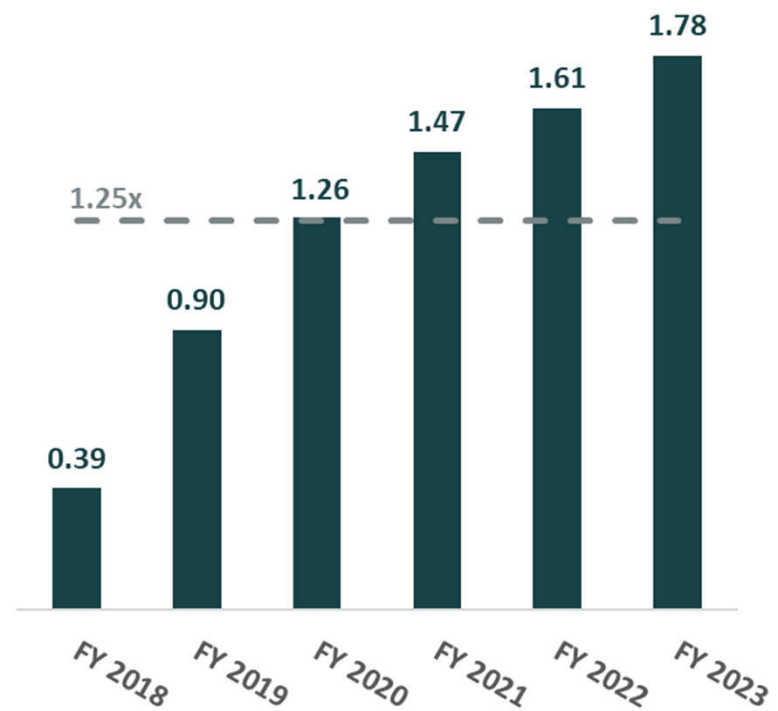


# Sewer Financial Performance Indicators

## Reserve Balance

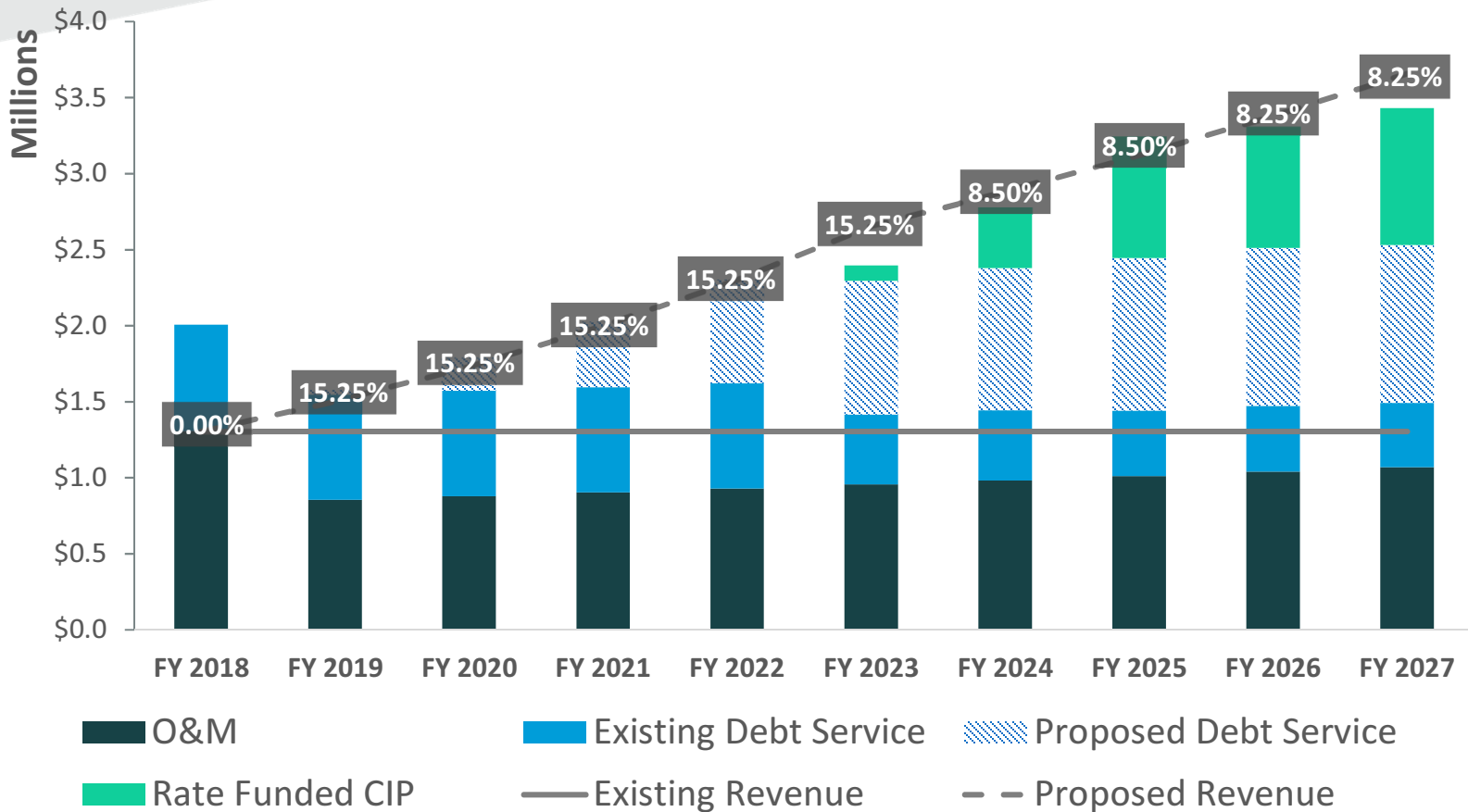


## Debt Service Coverage



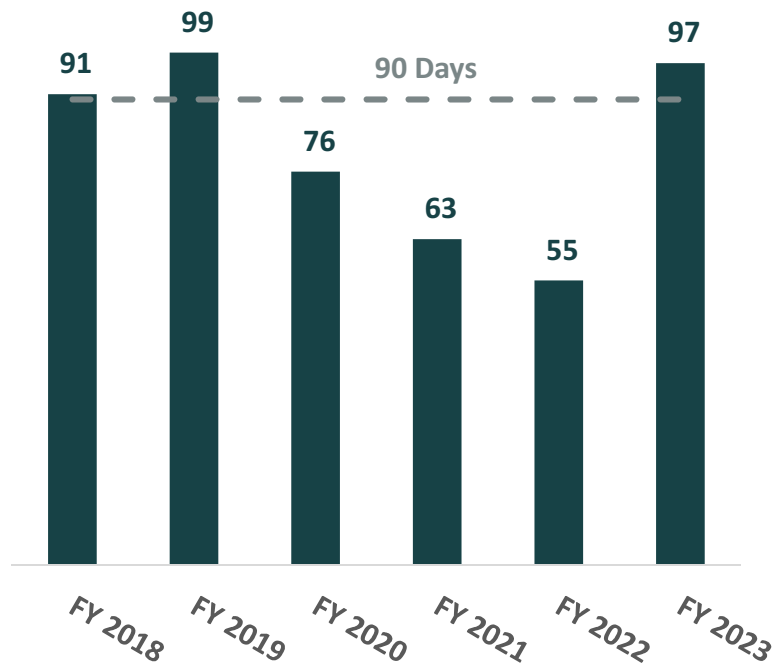


# Stormwater Financial Plan

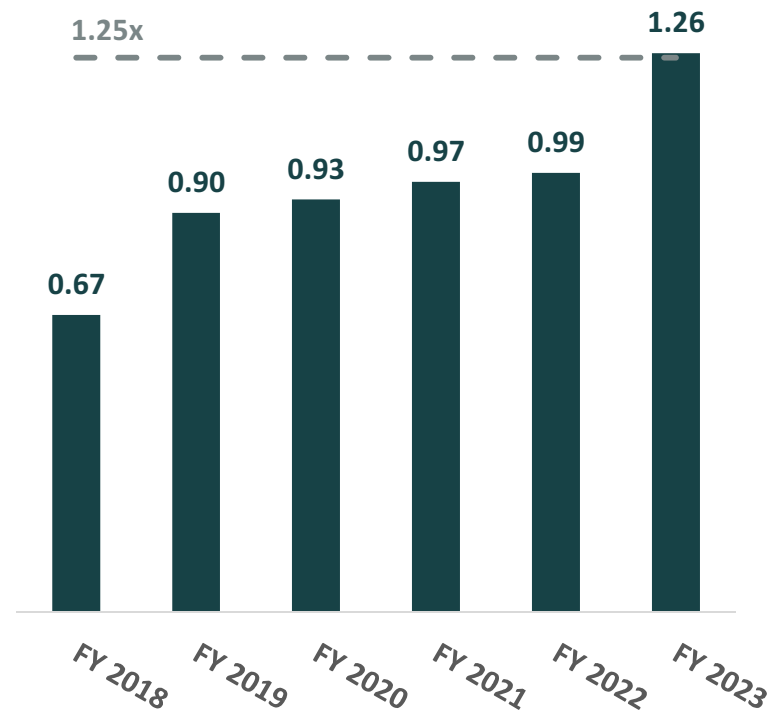


# Stormwater Financial Performance Indicators

## Reserve Balance



## Debt Service Coverage



# Rate Design



# Rate Design

## Overview

### Purpose:

Recover the total level of revenue indicated by the financial plans and meet the City's objectives.

Challenge: balance need for increased fixed revenues with impact to low usage customers.

- **Water and Sewer**
  - › Alt. 1 – Across the Board Increase
  - › Alt. 2 – Higher Fixed Charge
- **Stormwater – Across the Board Increase**



# FY 2019 Rates – Water

Rate	Per	Existing	Alt. 1 - Across the Board			Alt. 2 - Higher Fixed Charge		
			FY 2019	% Change	\$ Change	FY 2019	% Change	\$ Change
5/8	Month	\$ 5.76	\$ 6.47	12.25%	\$ 0.71	\$ 7.17	24.50%	\$ 1.41
3/4	Month	5.76	6.47	12.25%	0.71	7.17	24.50%	1.41
1	Month	10.76	12.08	12.25%	1.32	13.40	24.50%	2.64
1 1/2	Month	10.76	12.08	12.25%	1.32	13.40	24.50%	2.64
2	Month	29.76	33.41	12.25%	3.65	37.05	24.50%	7.29
3	Month	51.76	58.10	12.25%	6.34	64.44	24.50%	12.68
4	Month	76.76	86.16	12.25%	9.40	95.57	24.50%	18.81
6	Month	151.76	170.35	12.25%	18.59	188.94	24.50%	37.18
8	Month	201.76	226.48	12.25%	24.72	251.19	24.50%	49.43
10	Month	336.76	378.01	12.25%	41.25	419.27	24.50%	82.51
Tax	1,000 Gal.	\$ 6.68	\$ 7.50	12.25%	\$ 0.82	\$ 7.35	10.09%	\$ 0.67
Non-Tax	1,000 Gal.	7.29	8.18	12.25%	0.89	8.09	10.97%	0.80



# FY 2019 Rates – Sewer

Rate	Per	Existing	Alt. 1 - Across the Board			Alt. 2 - Higher Fixed Charge		
			FY 2019	% Change	\$ Change	FY 2019	% Change	\$ Change
5/8	Month	\$ 5.00	\$ 6.25	25.0%	\$ 1.25	\$ 7.50	50.0%	\$ 2.50
3/4	Month	5.00	6.25	25.0%	1.25	7.50	50.0%	2.50
1	Month	5.00	6.25	25.0%	1.25	7.50	50.0%	2.50
1 1/2	Month	5.00	6.25	25.0%	1.25	7.50	50.0%	2.50
2	Month	5.00	6.25	25.0%	1.25	7.50	50.0%	2.50
3	Month	5.00	6.25	25.0%	1.25	7.50	50.0%	2.50
4	Month	5.00	6.25	25.0%	1.25	7.50	50.0%	2.50
6	Month	5.00	6.25	25.0%	1.25	7.50	50.0%	2.50
8	Month	5.00	6.25	25.0%	1.25	7.50	50.0%	2.50
10	Month	5.00	6.25	25.0%	1.25	7.50	50.0%	2.50
Tax	1,000 Gal.	\$10.29	\$12.86	25.0%	\$ 2.57	\$12.68	23.2%	\$ 2.39
Non-Tax	1,000 Gal.	10.29	12.86	25.0%	2.57	12.68	23.2%	2.39



# FY 2019 Rates – Stormwater

Rate	Per	Existing	FY 2019	% Change	\$ Change
<b>Residential</b>					
1/5 acre or less	Month	\$ 4.15	\$ 4.78	15.25%	\$ 0.63
1/5 to 1 acre	Month	7.05	8.13	15.25%	1.08
1 - 2 acres	Month	11.20	12.91	15.25%	1.71
2 - 6 acres	Month	21.35	24.61	15.25%	3.26
<b>Non-Residential</b>					
	Per EHA/Mo	\$ 82.00	\$ 94.51	15.25%	\$ 12.51



# Bill Impacts

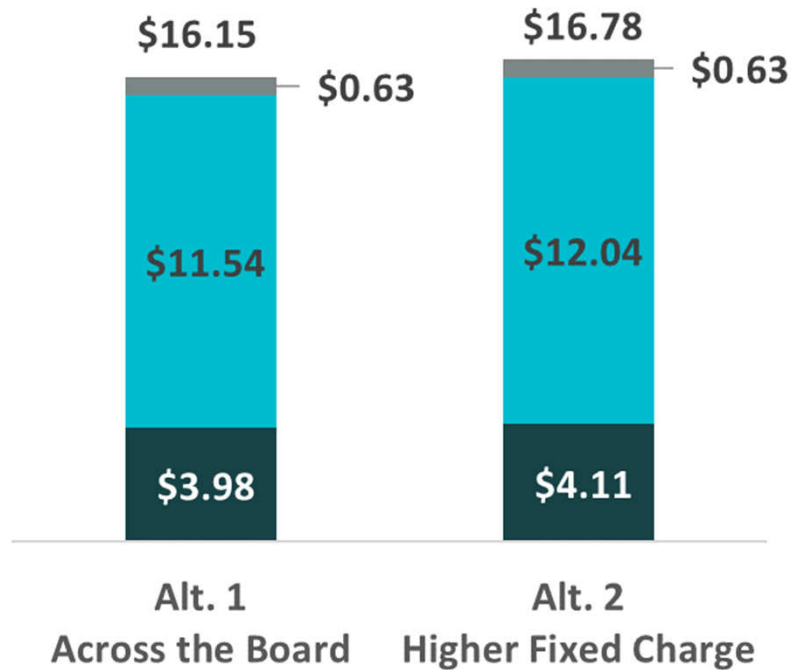




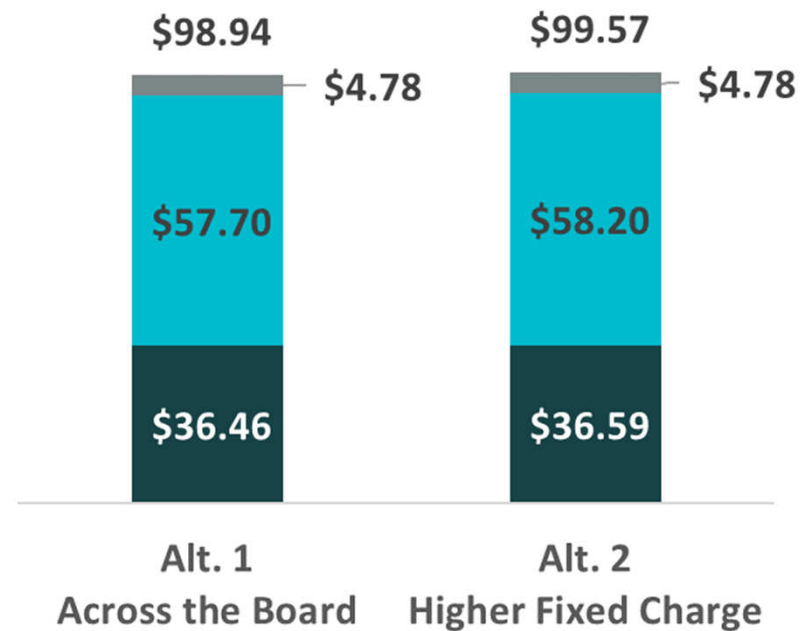
# FY 2019 Monthly Bill Impacts

(4,000 Gal, 5/8", 1/5 acre or less)

## \$ Increase (FY 18 to FY 19)



## Monthly Bill (FY 2019)



■ Water ■ Sewer ■ Storm

■ Water ■ Sewer ■ Storm

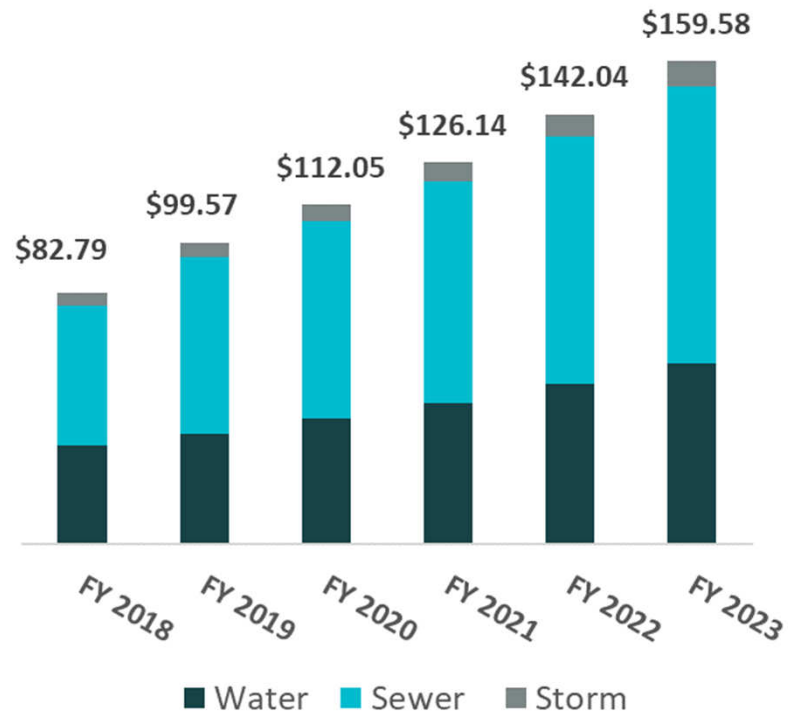
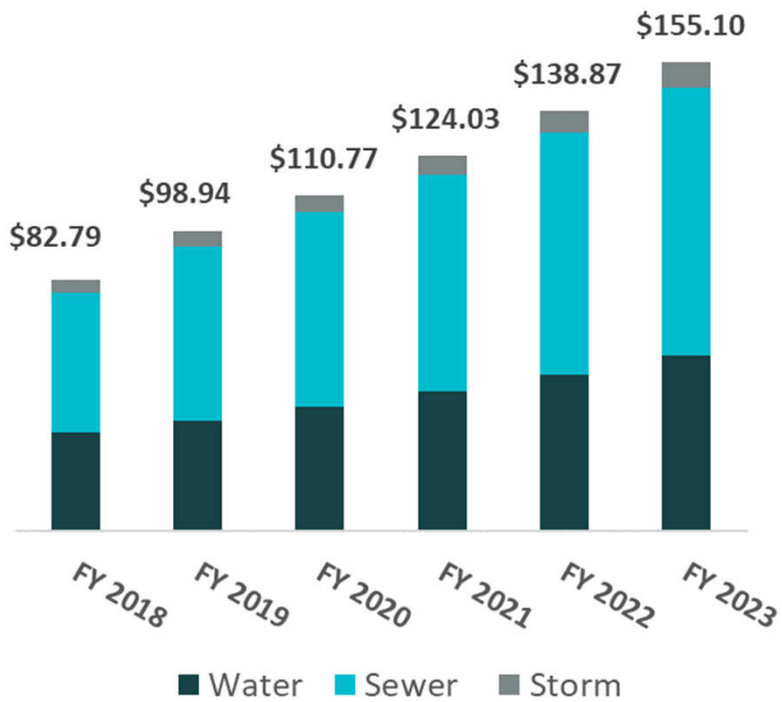


# Five Year Monthly Bill Impacts

(4,000 Gal, 5/8", 1/5 acre or less)

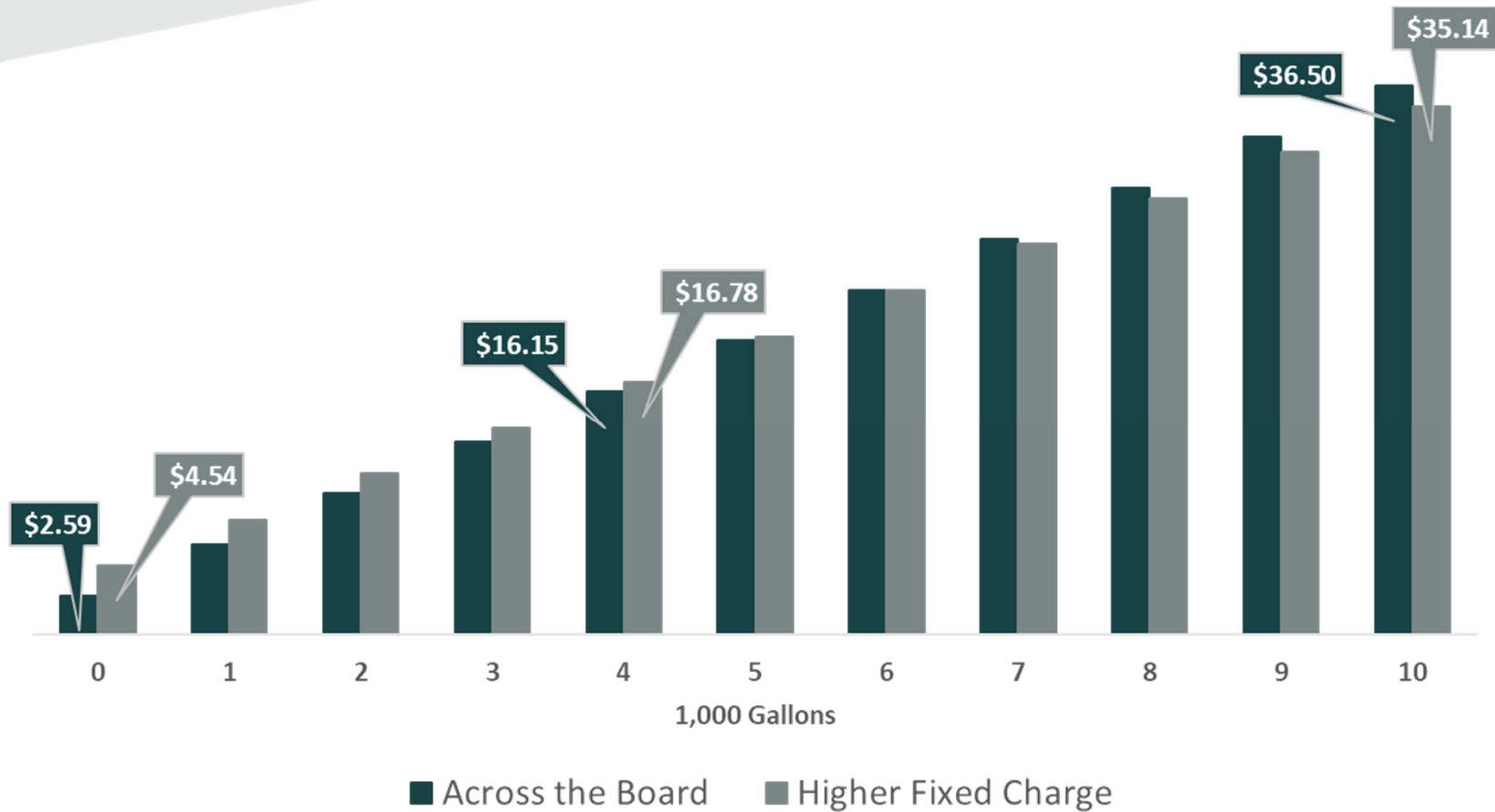
## Alt. 1 Across the Board

## Alt. 2 Higher Fixed Charge



# \$ Increase in Bill – FY 2019

5/8" Meter Size, 1/5 acre or less





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# Thank you!

Contact:

Tom Beckley (Project Manager) – 816 285 9024 / [tbeckley@raftelis.com](mailto:tbeckley@raftelis.com)

Collin Drat (Lead Consultant) – 816 285 9023 / [cdrat@raftelis.com](mailto:cdrat@raftelis.com)



# Additional Slides



# Utility Financial Planning

## Forecast Revenue Under Existing Rates

### Considerations

1. No adjustment to rates in FY 2017
2. Declining per customer billed usage
3. Climatic Considerations

### Assumptions

1. No growth in customer accounts
2. 1% annual decline in per account usage
3. Increased efficiency of new hospital
  - a) 35% reduction in W, S usage
  - b) \$50k reduction each
4. No increased revenues from meter change out



# Utility Financial Planning

## Forecast Operating Expenditures

### Considerations

1. Cost of daily operations
2. Excludes capital improvements, debt service, depreciation
3. City Budgets + Assumed Inflation Rates

### Assumptions

1. Escalation rate of 3% for most expenditures
2. Higher for those that typically exceed inflation (e.g., healthcare, pension)
3. No operational savings from performance management contract





# Utility Financial Planning

## Forecast Capital Expenditures

### Considerations

1. Existing Debt + New Debt + Cash Funded CIP
2. Excludes any projects included in TELP loan (for W and S)
3. Objective developing a level of cash funding for CIP.

### Assumptions

1. 3% Construction Cost Inflation
2. GO Debt Financing
  - a) 4% Interest
  - b) 10 Years
  - c) 1% Cost of Issuance
3. Cash funding begins in FY 2023:
  - a) W – \$500k
  - b) S – \$600k
  - c) SW – \$100k

