

4.03.18

2018 SWAC Meeting #8

Meeting Topics (review)

1. Extent of Service (EOS)
2. Level of Service (LOS) and Staff Presentation recap
3. Funding Sources and Revenue Options
4. Structural BMP's
5. Stormwater/Watershed Planning
6. Water Quality Compliance
7. Floodplain Management
8. Regulatory Reforms/Ordinances

Rate Structure Alternatives

Multi-Family Analysis

- **Vacant Units**

- If vacant units are charged, the City could recoup approximately **\$265,000 per year** in revenue at current rates assuming units counts stay consistent and are accurate
- This equates to about a 3.6% increase in revenue at any rate.

- **Minimum charge of 0.5 ERUs**

- If each unit is charged a minimum of 0.5 ERUs, the City could recoup approximately **\$6,400 per year** in revenue at current rates assuming unit vacancy rates stay consistent.
- This equates to about a 0.1% increase in revenue at any rate.

- **Minimum charge of 1 ERU**

- If each unit is charged a minimum of 1 ERU, the City could recoup approximately **\$295,000 per year** in revenue at current rates assuming unit vacancy rates stay consistent.
- This equates to about a 4% increase in revenue at any rate.

Additional Residential Tier

- A fifth residential tier is added to create the following residential tier structure:

Tier	Impervious Area	Rate
I	100 – 2,000 sq. ft.	\$5.35
II	2,001 – 4,000 sq. ft.	\$10.70 (2 x base)
III	4,001 – 6,000 sq. ft.	\$16.05 (3 x base)
IV	6,001 – 8,000 sq. ft.	\$21.40 (4 x base)
V	8,000 + sq. ft.	\$26.75 (5 x base)

- Adding a fifth tier would result in an additional approximate **\$14,000** in revenue at current rates.
- This equates to about a 0.2% increase in revenue at any rate

Fixed Administrative Charge

- In order to develop the administrative charge each line item was allocated to either the administrative charge or the impervious area charge.
 - Items allocated to the administrative charge are costs that are constant on a per parcel basis regardless of how much impervious area is on the parcel.
- If a revenue neutral Administrative charge was implemented, the impervious area rate would decrease in conjunction with the implementation of the administrative charge. As a result, large customers would actually see a decrease in their bill.
- If the City does **not** reduce the impervious area charge as a result of implementing the administrative fee, the City could recoup approximately **\$518,000** per year.
 - The administrative charge rate would be approximately \$1.30 per account

Fixed Administrative Charge

- Residential Impact of Fixed Administrative Charge

Tier	Current Charge	Current Charge with Admin	Percent Increase
I	\$5.35	\$6.65	24%
II	\$10.70	\$12.00	12%
III	\$16.05	\$17.35	8%
IV	\$21.40	\$22.70	6%

- Commercial Impact of Fixed Administrative Charge

Property	Current Charge	Current Charge with Admin	Percent Increase
JH Rose High School	\$2,573.35	\$2,574.65	0.05%
Walmart Store	\$1,647.80	\$1,649.10	0.08%
Food Lion, Inc.	\$325.82	\$327.12	0.4%
Zaxby's	\$107.00	\$108.30	1.2%

Revenue Requirements

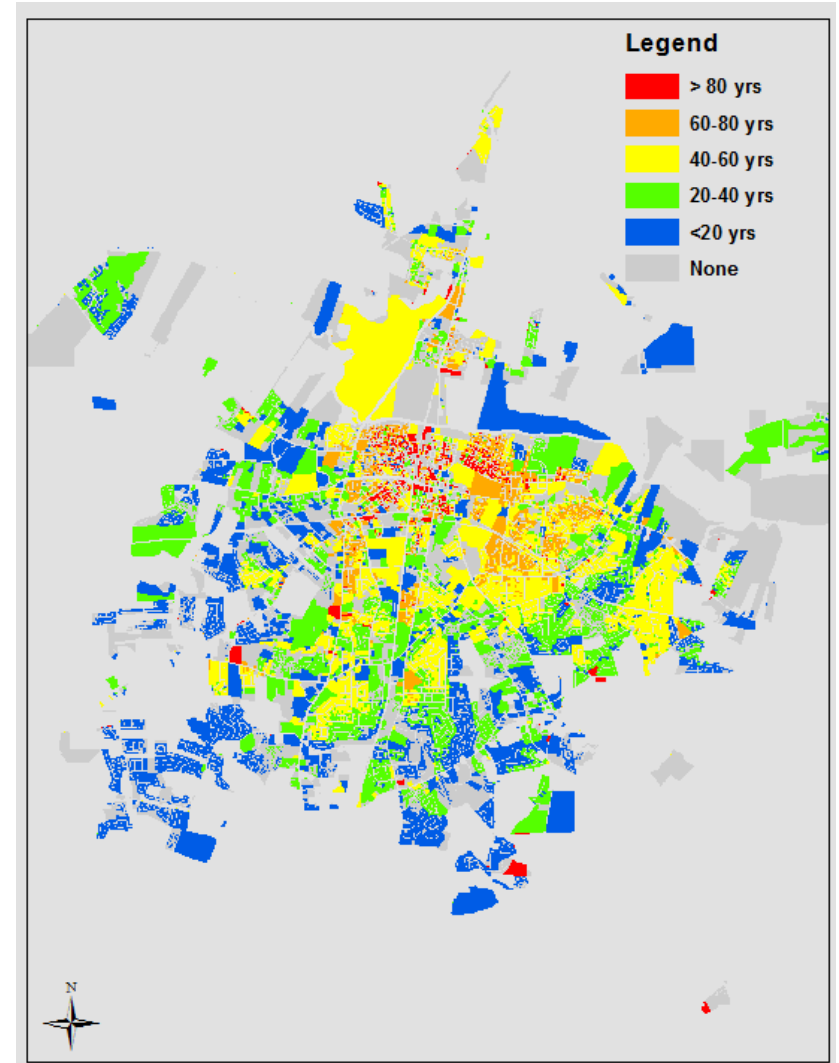
New Operations and Maintenance

- Modifications were made to the way operations and maintenance expenses were calculated to get to the desired level of service (Level B)
 - Staff for open channel and closed system maintenance were doubled
 - Culverts cleaned/inspected 2x per year
 - Open channels cleaned/inspected every year
 - Catch basins cleaned/inspected every 2.5 years
 - Pipes cleaned/inspected every 7 years
- New costs for operations and maintenance including additional costs for staff including benefits, equipment, fuel and maintenance were estimated at **\$1,151,000** per year
 - These costs were ramped up over a 3 year period

Capital Replacement/CIP

- After discussions with City staff, Capital Replacement and CIP expenses were combined into an expense item.
 - Practically, allocations to Capital Replacement and to CIP would vary each year and would be decided during the budget process.
 - Different funding levels and resulting rates for the combined Capital Replacement/CIP are shown later in this presentation
- In addition, modifications to the Town Creek Culvert debt were made.
 - Since last meeting we obtained additional clarity in the timing and size of the debt issuances

Capital Replacement of Aging Infrastructure



Revenue Requirements

Revenue Requirements	FY 2018 Budgeted	FY 2021 (\$2M)
Stormwater Administration	\$1,781,627*	\$604,451
Operations and Maintenance - Current	\$2,137,277	\$2,340,760
Operations and Maintenance - New	\$0	\$1,151,036
Reserves	\$0	\$250,000
Debt Service	\$481,274	\$2,053,106
Rate Funded Capital – Current	\$1,528,820	\$1,769,800
Capital Replacement/CIP – New	\$0	\$2,000,000
Total Revenue to be Recovered from Rates	\$5,928,998	\$10,169,153

* Includes \$1,326,000 for Watershed Master Planning

Note that current revenue is approximately \$6,000,000

Potential Rates

Rate Ranges Based on Capital Investments

- Capital Replacement and CIP expenses were modeled at:
 - \$2,000,000 – starting in FY 2019
 - \$4,000,000 – ramping up over a 2 year period
 - \$6,000,000 – ramping up over a 3 year period

Rate Calculations

Rate Calculation	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	5-Year Average Rate
Calculated Rate per ERU per month (\$2M)	~\$7.25*	~\$7.75*	~\$9.75*	~\$10.10*	~\$10.20*	~\$9.00*
Calculated Rate per ERU per month (\$4M)	~\$7.25*	~\$9.70*	~\$11.70*	~\$12.00*	~\$12.10*	~\$10.50*
Calculated Rate per ERU per month (\$6M)	~\$7.25*	~\$9.70*	~\$13.55*	~\$13.90*	~\$13.95*	~\$11.65*

* Approximate rates based on the currently available information

Residential Impacts

Tier	IA (sq. ft.)	Monthly (Current)	Monthly (\$9.00/ERU)	Monthly (\$10.50/ERU)	Monthly (\$11.65/ERU)
I	200 – 2,000	\$5.35	\$9.00	\$10.50	\$11.65
II	2,001 – 4,000	\$10.70	\$18.00	\$21.00	\$23.30
III	4,001 – 6,000	\$16.05	\$27.00	\$31.50	\$34.95
IV	6,000 +	\$21.40	\$36.00	\$42.00	\$46.60

Commercial Impacts

Name	IA (sq. ft.)	Monthly (Current)	Monthly (\$9.00/ERU)	Monthly (\$10.50/ERU)	Monthly (\$11.65/ERU)
JH Rose High School	961,922.4	\$2,573.35	\$4,329.00	\$5,050.50	\$5,603.65
Walmart Store	615,378	\$1,647.80	\$2,772.00	\$3,234.00	\$3,588.2
Lowes Home Center	527,947.2	\$1,412.40	\$2,376.00	\$2,772.00	\$3,075.60
Physicians East	414,443.6	\$1,112.80	\$1,872.00	\$2,184.00	\$2,423.20
Food Lion	121,806	\$325.82	\$549.00	\$640.50	\$710.65
Cheddars Casual Café	66,890	\$181.90	\$306.00	\$357.00	\$396.10
Eckerd Drug	50,746.84	\$139.10	\$234.00	\$273.00	\$302.90
Zaxby's	38,052	\$107.00	\$180.00	\$210.00	\$233.00

Other Community Programs and Rates

<u>Community</u>	<u>Last fee change</u>	<u>monthly bill**</u>	<u>Annual Revenue</u>	<u>population served</u>	<u>Area of City (sq.mi.)</u>	<u>per capita revenue</u>	<u>per acre revenue</u>	<u>ERU**</u>	<u>monthly fee per 1000sf</u>	<u># res. tiers</u>
Charlotte	2017	\$7.56	\$48,589,000	808,834	58.8	\$60.07	\$1,291.16	2000	\$3.78	4
Durham	2010	\$6.75	\$15,629,395	251,761	110.5	\$62.08	\$221.00	2400	\$2.81	3
Fayetteville	2017	\$4.25	\$7,831,000	203,670	145.8	\$38.45	\$83.92	2266	\$1.88	1
Greensboro	never	\$2.70	\$9,941,103	282,177	131.8	\$35.23	\$117.85	2543	\$1.06	3
Greenville	2017	\$5.35	\$6,300,000	89,745	36.0	\$70.20	\$273.44	2000	\$2.68	4
Jacksonville	never	\$5.00	\$2,965,500	68,404	45.2	\$43.35	\$102.58	2850	\$1.75	1
Raleigh	2016	\$5.00	\$25,863,737	441,326	147.0	\$58.60	\$274.91	2260	\$2.21	5
Wilmington	2017	\$8.11	\$11,136,804	113,724	52.9	\$97.93	\$328.82	2500	\$3.24	1
average		\$5.67				\$60.37	\$370.16	2,281	\$2.43	

Other Community Programs and Rates

<u>Community</u>	<u>minimum area/fee</u>	<u>maximum area/fee</u>	<u>processing fee?</u>	<u>county fee?</u>	<u>min. fee for individual units in multifamily?</u>	<u>bill for roads?</u>	<u>bill outside of city limits?</u>	<u>all O&M funded through utility)?</u>
Charlotte	0	5000	\$.95/bill	\$20/acre	no	\$7,000,000	n	y
Durham	0	4000	no	no	no	n	n	y
Fayetteville	na	na	no	no	no	n	n	y
Greensboro	600	2900	no	no	no	\$2,000,000	n	y
Greenville	200	6000	no	no	no	n	n	y
Jacksonville	400	na	no	no	no	n	n	y
Raleigh	400	9500	no	no	no	n	n	y
Wilmington	na	na	no	no	no	\$4,114,323	n	y

Discussion

- Recommendations on rate structure or structures to pursue?
 - Multi-Family
 - Additional Residential Tier
 - Fixed Administrative charge
- Timing and level of capital investments?
 - \$2M, \$4M, \$6M
 - Ramping up of investments
- Timing of rate changes
 - One large rate change?
 - Several smaller rate changes?

Next Steps

- Develop recommendations on:
 - Billing policies
 - Rate structure
 - Rates
 - Capital investments

Questions and/or Comments