

City of Pompano Beach Utilities Department

Review of Rate Process and Proposed Rates

July 11, 2017



WATER, REUSE, AND WASTEWATER UTILITY FUND

HISTORY OF UTILITY RATE ADJUSTMENTS PER YEAR

UTILITY	FY 2010*	FY 2011*	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	8-YR Annual Avg.
Water	11.0%	14.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.1%
Reuse***	0.0%	40.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%
Wastewater	7.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.1%

*Effective 9/3/10

**Effective 1/1/11

**Effective 7/12/11 for Class 2 only (connected to system after July 12, 2011)

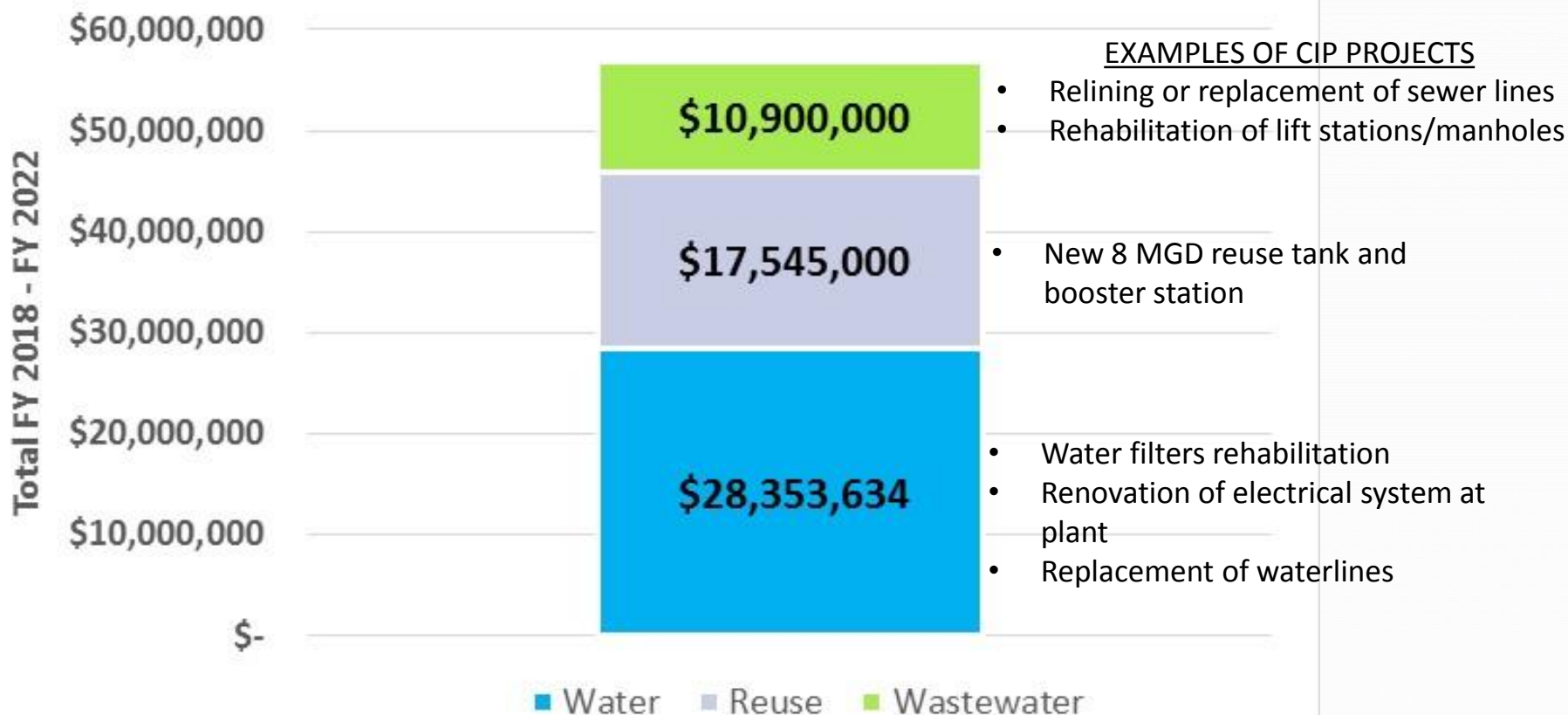
- Last increase was on January 1, 2011 for water/sewer and July 12, 2011 for reuse
- Nationally water and sewer rates have increased by 5.34% and 5.98% per year respectively from 2004 to 2016 (Source: AWWA/RFC 2016 Water and Sewer Rate Survey)

KEY DRIVERS of UTILITY FUND

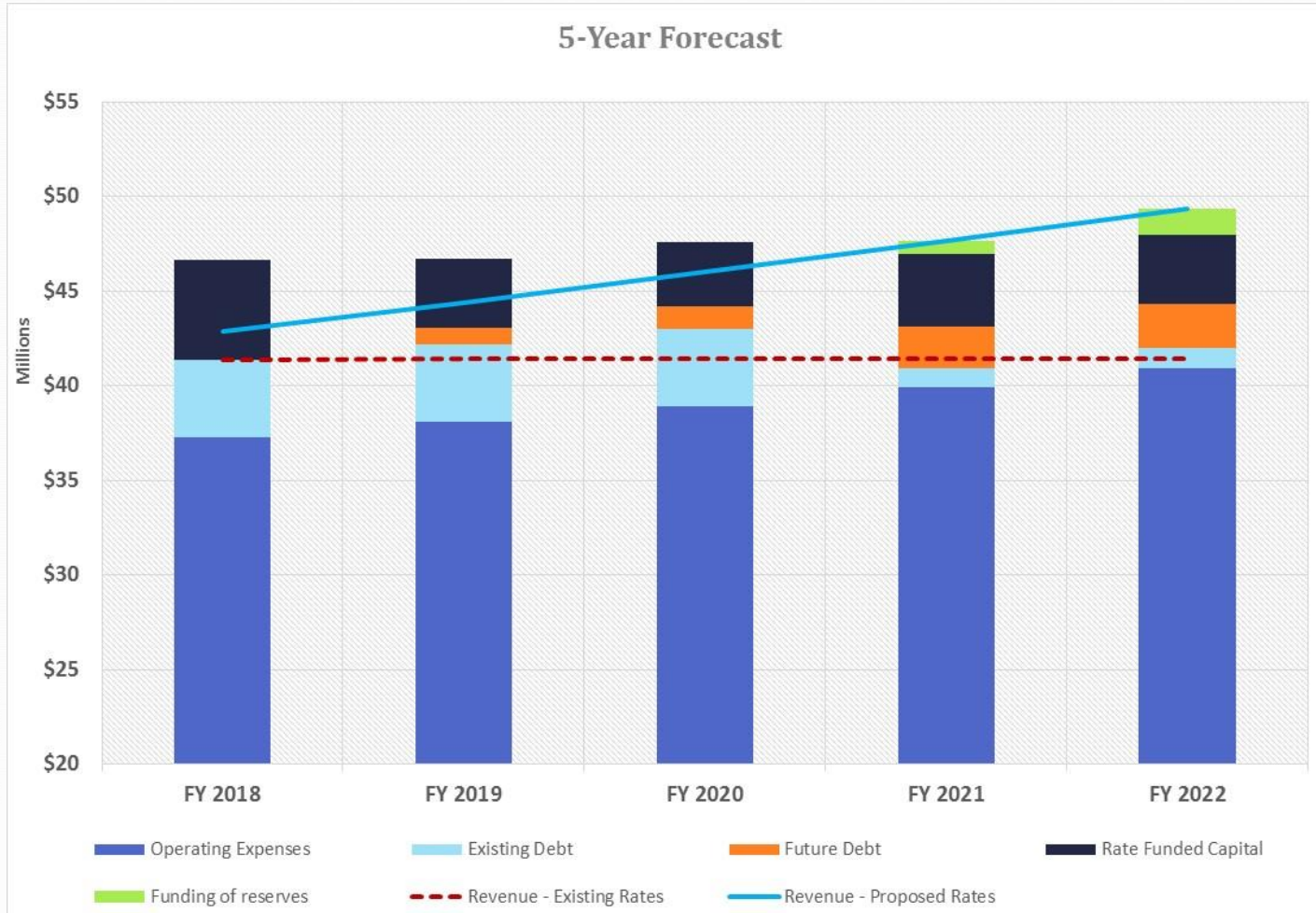
- Funding of 5-Year CIP (in today's dollars)- \$56.8 Million
- Use of State Revolving Fund Loans (SRF) to fund 63% of CIP – SRFs carry low interest rates
- Projection of Broward County wastewater rates – 3%/yr. for 3 years and 5% thereafter
- Target debt service coverage and fund balances – 2.0/1.5 (Revenue Bond/Total Debt Service Coverage) and 50% of Total Revenue Requirements

UTILITY FUND 5-YR CIP

FY 2018 - FY 2022 CIP

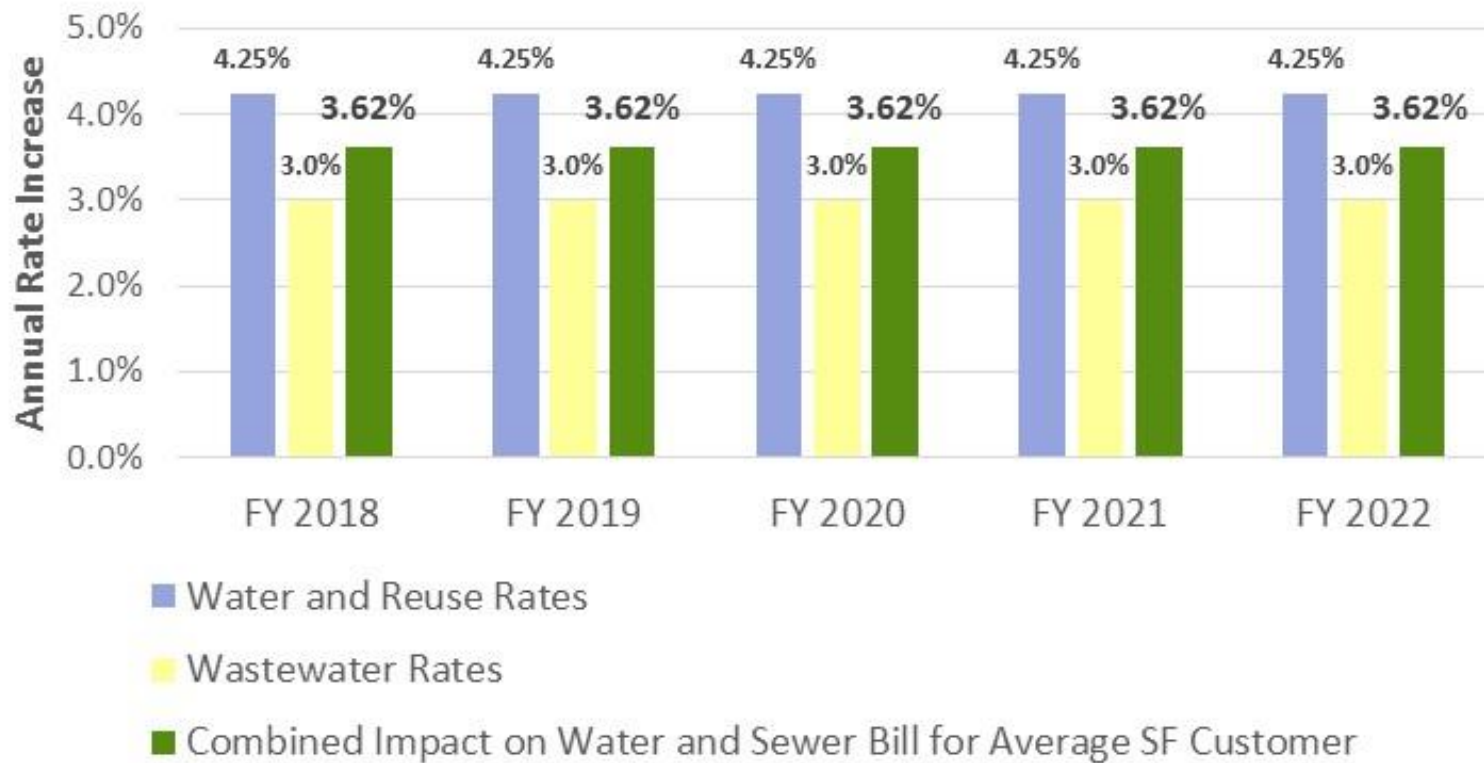


REVENUE REQUIREMENTS



Revenues under current rates are projected to create a \$5 million deficit in FY 2018. Future rates must cover the existing deficit, future increases in operating costs, and replenish fund balances. (Current revenues of \$41.4 million must cover \$49.4 million in revenue requirements by FY 2022, a 19.3% increase).

PROPOSED ANNUAL RATE INCREASES

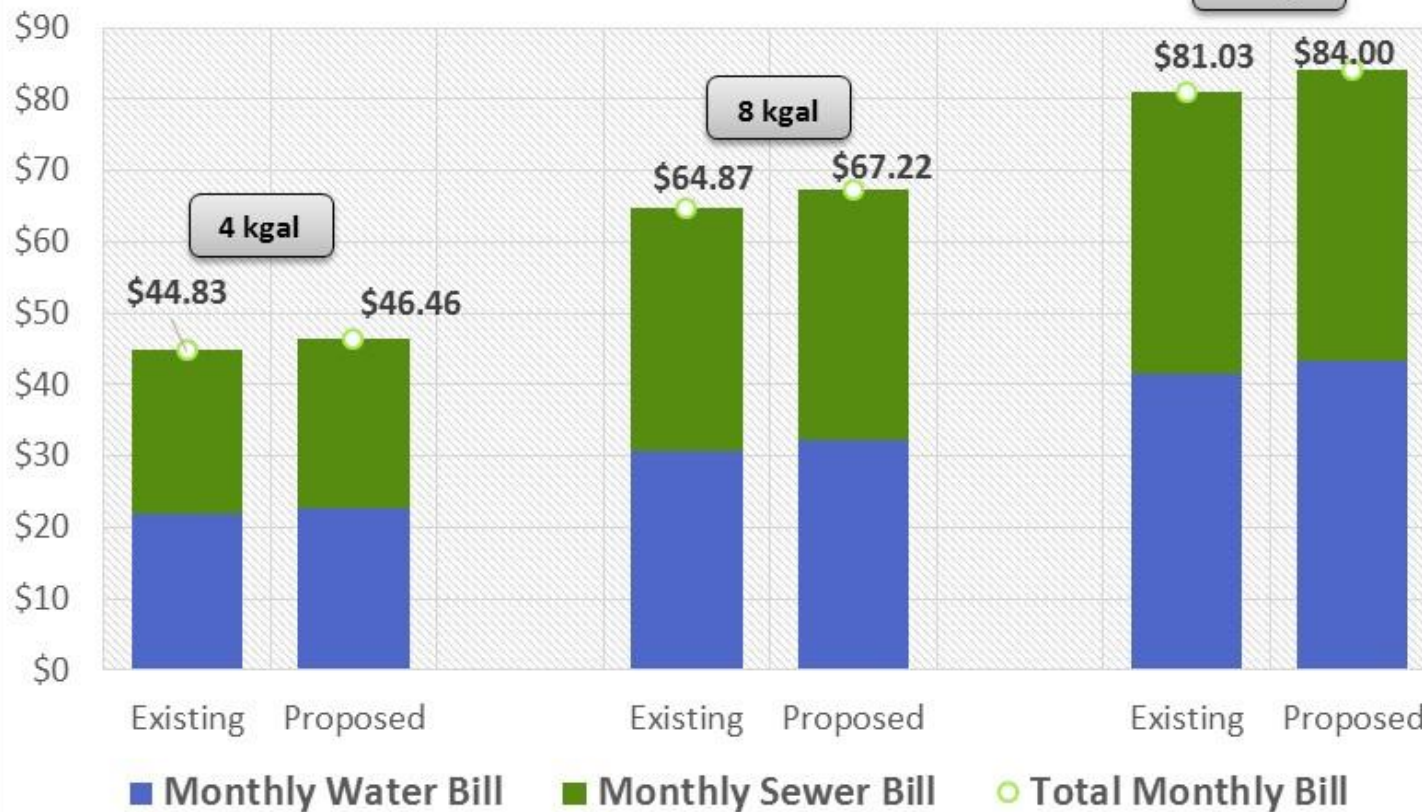


Use reserve funds in first few years to spread out increases over a five-year period

Water and reuse rate increases are the same over the forecast period

RESIDENTIAL SINGLE-FAMILY CUSTOMER IMPACTS for FY 2018

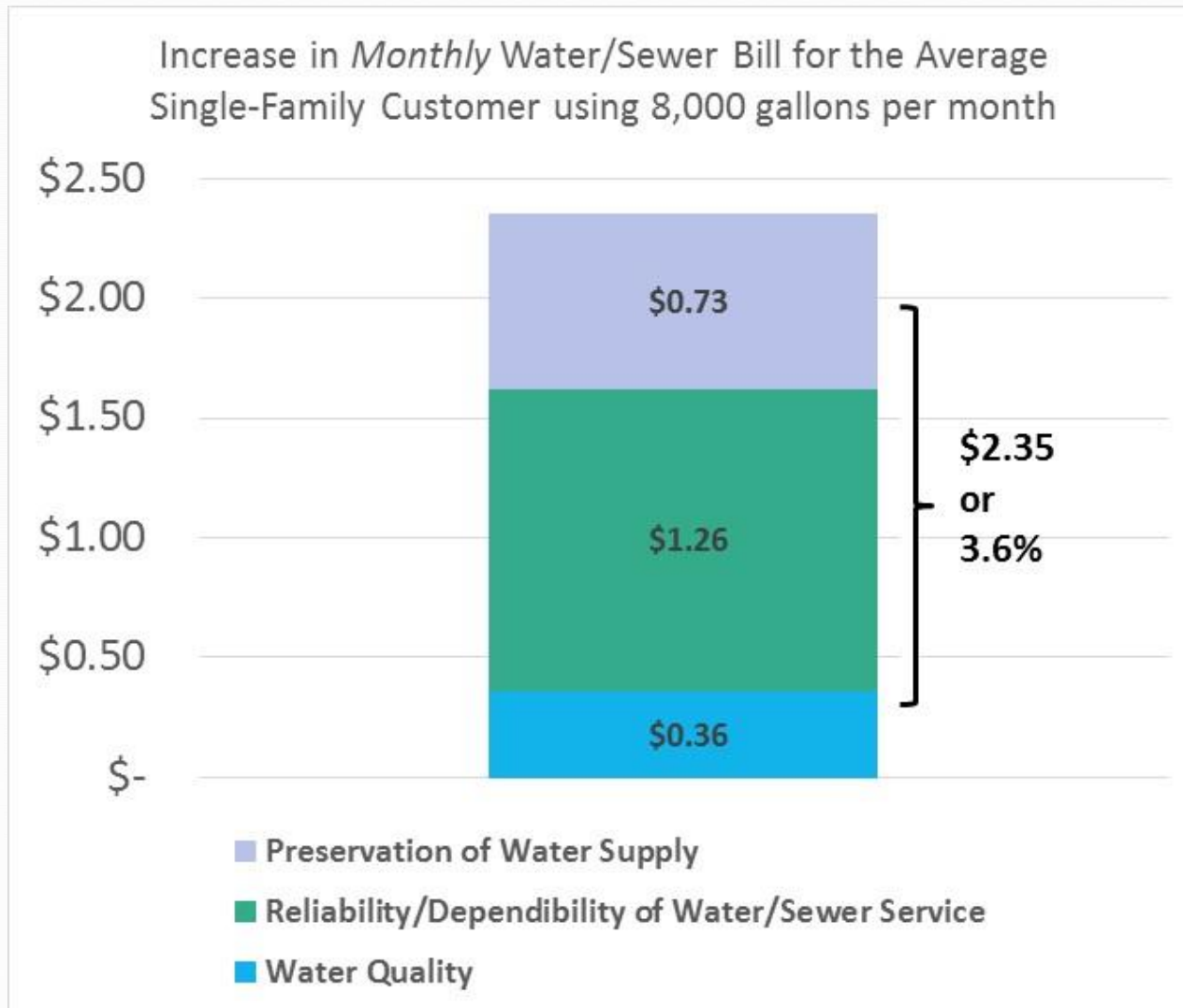
Residential Customer Impacts



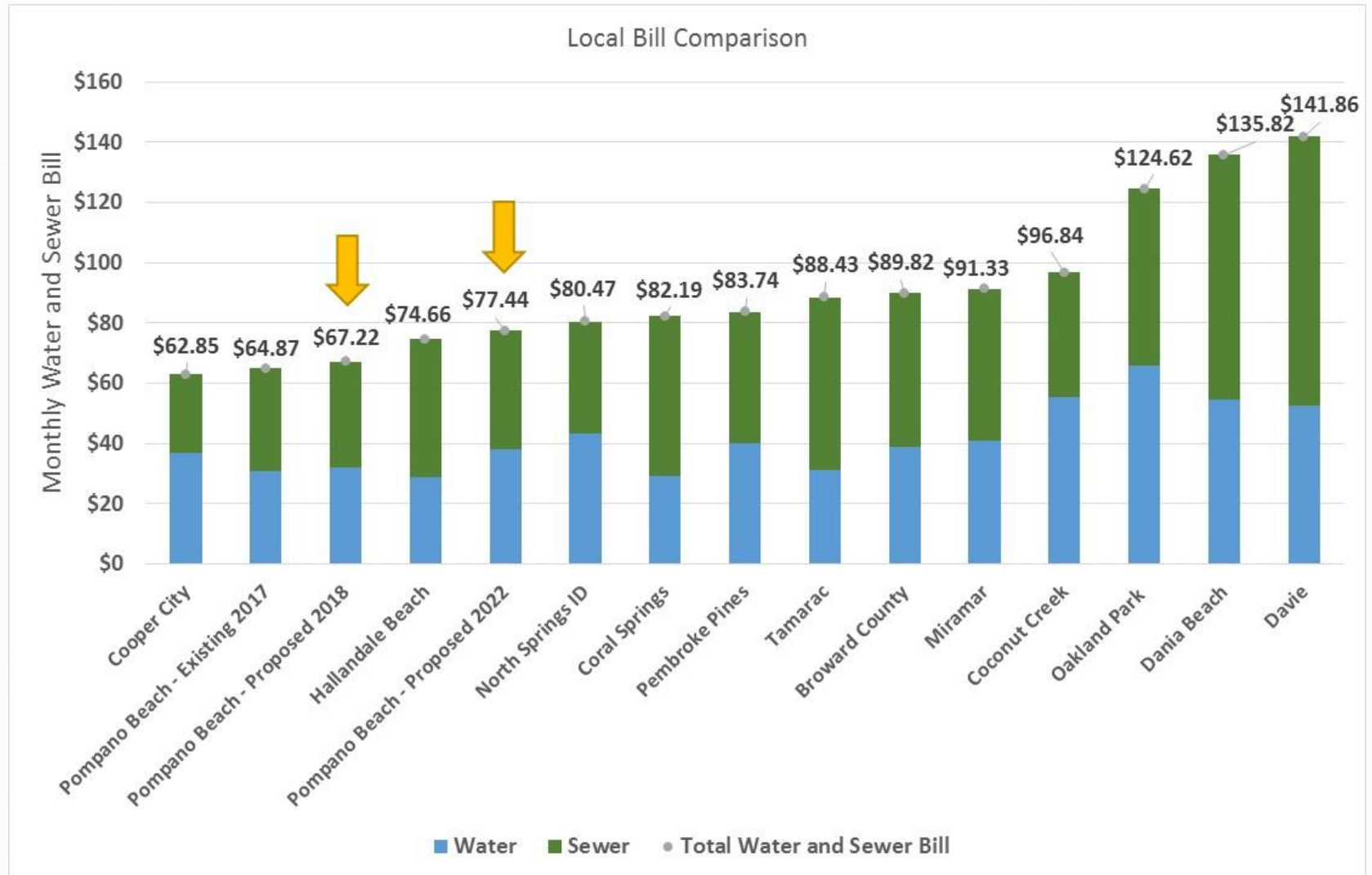
*Average single-family customer monthly water and sewer bill will increase by **\$2.35** in FY 2018, or **3.6%** increase

*Average residential customer uses 8 kgal (1,000 gallons) per month of water

BREAKDOWN of RATE INCREASES



LOCAL COMPARISON FOR SINGLE-FAMILY (using 8 kgal)



RESIDENTIAL MULTI-FAMILY CUSTOMER IMPACTS for FY 2018

3/4" Meter: 5kgal Use - 3 Units



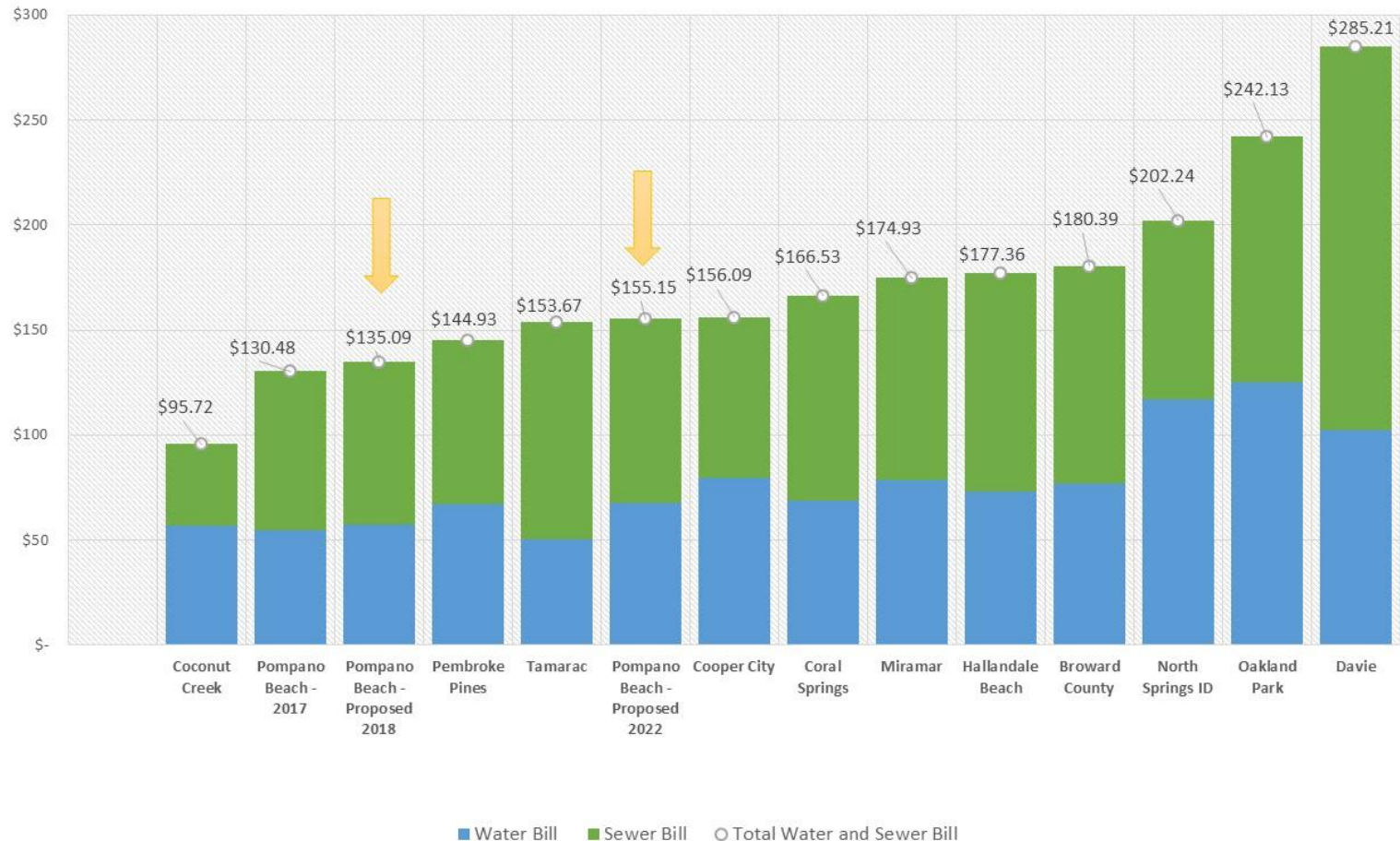
8" Meter: 3kgal Use - 241Units



Represents average small and large multi-family customers

LOCAL and REGIONAL COMPARISON FOR MULTI-FAMILY (small multi-family customer)

2017 FL Local Bill Comparison - Multi Family (3/4" Meter, 5kgal Use/Unit, 3 Units)



CONCLUSIONS

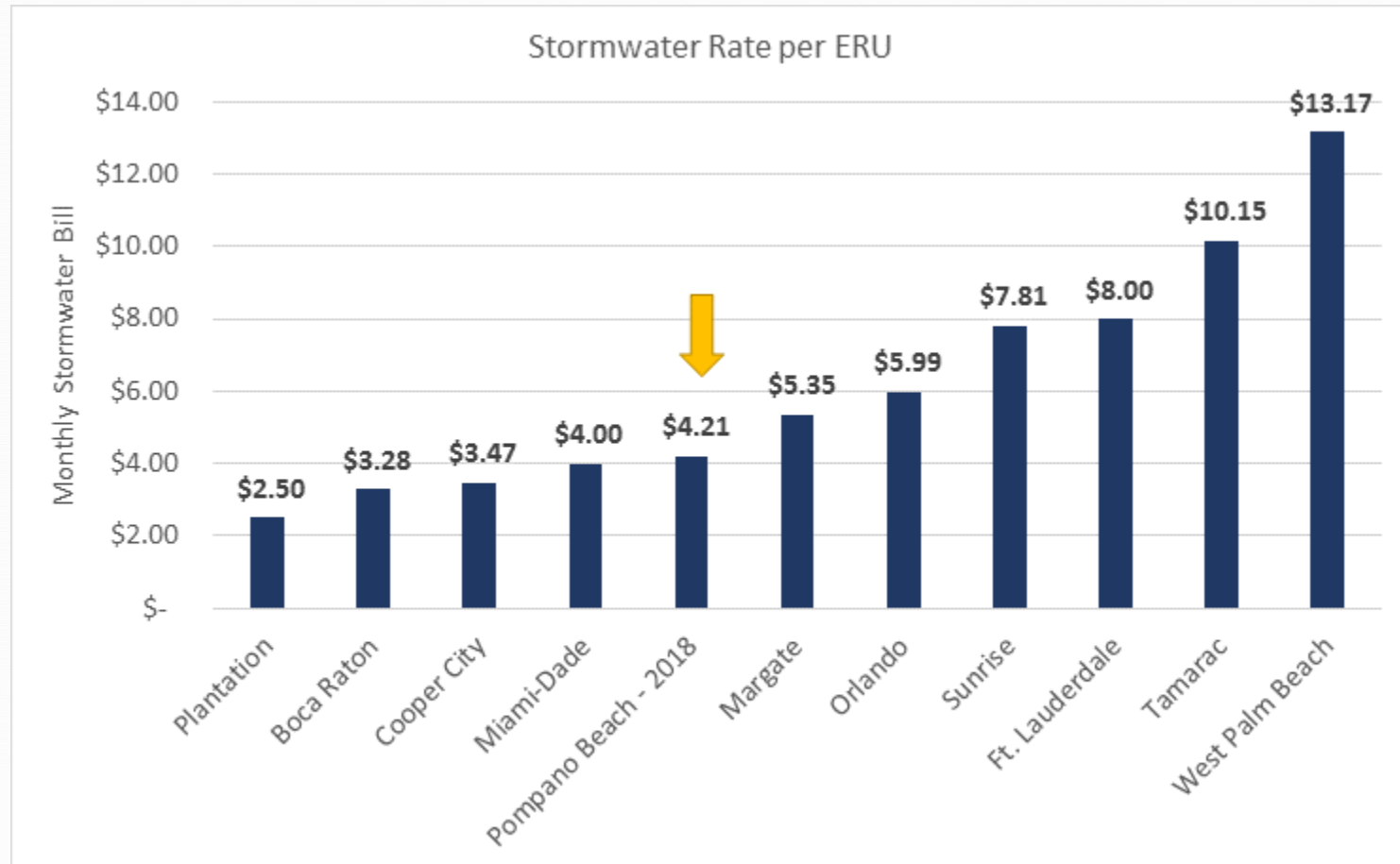
- Proposed water/wastewater rates for average customer are low compared to others
- Use of reserve funds helps mitigate rate increases
- Availability of SRF funding may impact future proposed rates
- Future Broward County rate increases may impact proposed rates

STORMWATER FUND

APPROVED STORMWATER RATES

YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rate per ERU	\$3.21	\$3.43	\$3.68	\$3.93	\$4.21	\$4.50	\$4.82	\$5.15	\$5.52	\$5.90
% change		6.8%	7.3%	6.8%	7.1%	6.9%	7.1%	6.8%	7.2%	6.9%

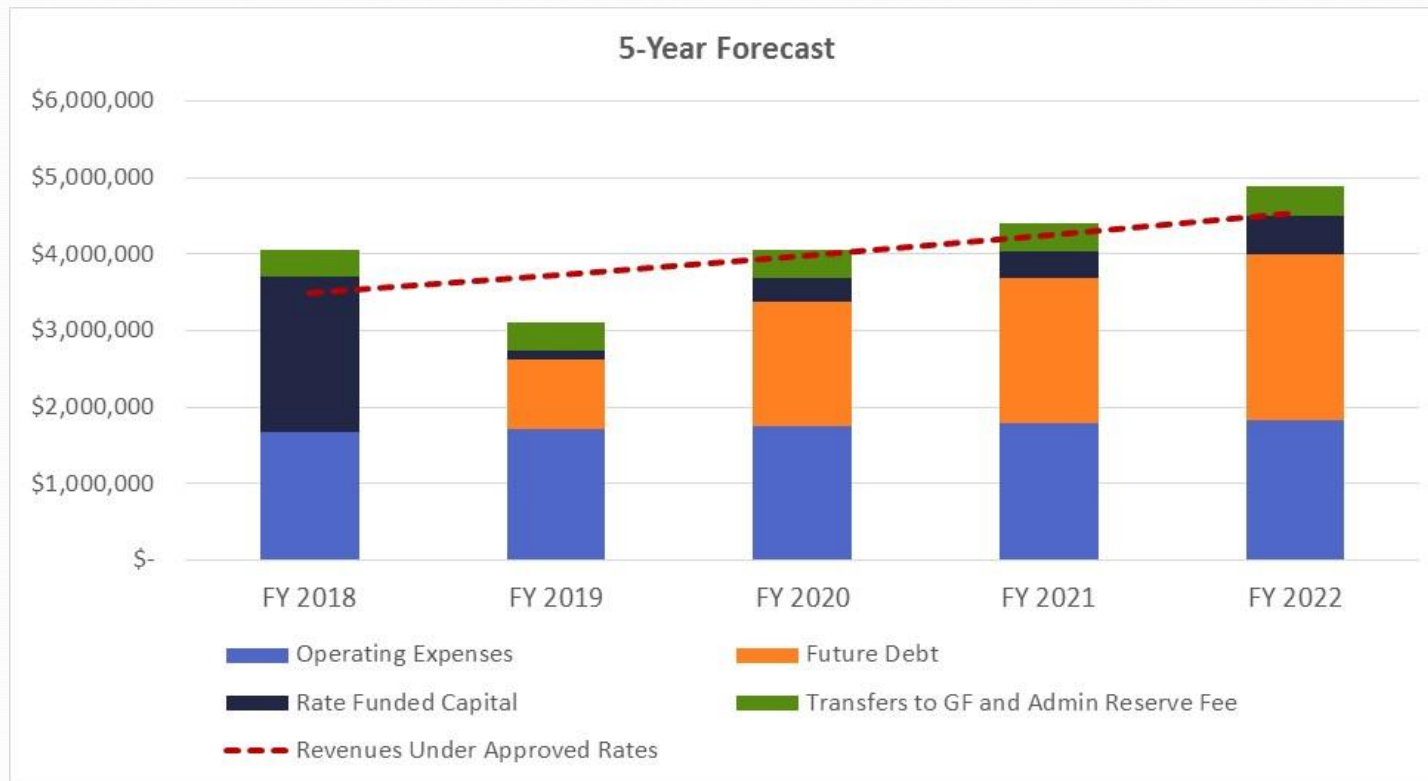
STORMWATER RATE COMPARISON



KEY DRIVERS of STORMWATER FUND

- 5-Year construction costs (in today's dollars)-
\$30 Million
- SRF funding for majority of CIP
- Target debt service coverage and fund balances –1.5 Total Debt Service Coverage and 50% of Total Revenue Requirements
- No interest on initial SRF funding

REVENUE REQUIREMENTS



Revenue requirements increase a total of 20% from FY 2018 to FY 2022 but this does not include replenishment of fund balance applied in early years

CONCLUSIONS

- Approved stormwater rates are adequate in the next few years
- However, availability of SRF funding and cost of construction will impact sufficiency of revenues under approved rates in later years
- Additional stormwater projects may also impact sufficiency of future rates