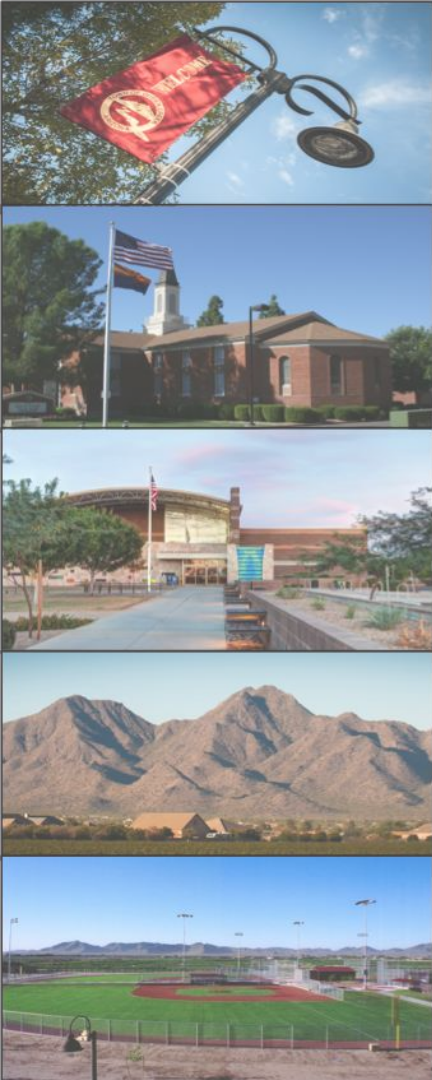


Follow Up Re. Wastewater Rate Reduction, Including Winter Average Effective Date

Town Council Meeting

March 20, 2019



Purpose of Presentation

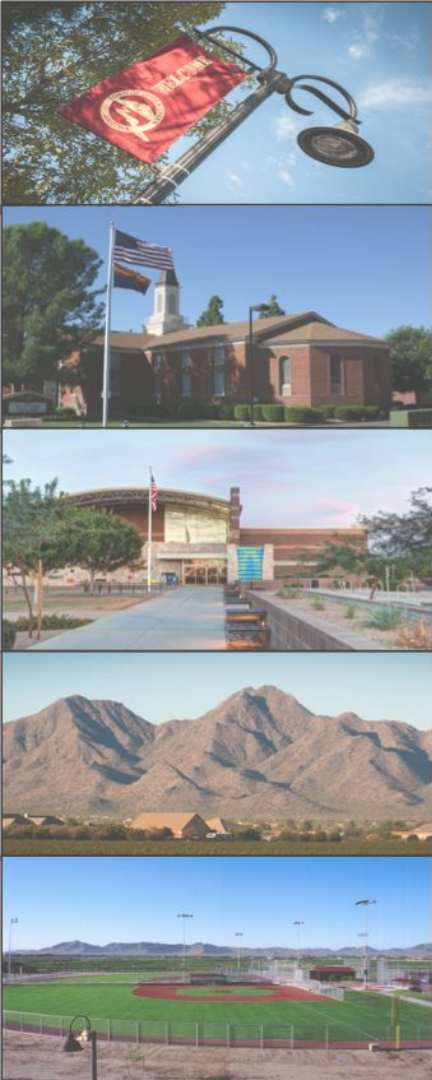
Follow Up from March 2nd Town Council Strategic Planning Session Regarding:

1. Recommended Allocation of \$2M Annual Revenue Capacity
2. Effective Date of 10% Rate Reduction and Winter Average

Background – Wastewater Rates



- Last Rate Study Completed in 2010
- Study Results: A Projected Capacity Fee Shortfall During the Great Recession Triggered a 43% Aggregate Rate Increase Ending in 2014
 - From 2011 to 2014, Monthly Rates were Increased 9.5% Annually



Current Wastewater Rate Study

- Study Results: \$2M Annual Revenue Capacity Exists
 - ~12K Residential Accts, ~250 Commercial Accts
- Recommendations
 1. Increase Reserves
 2. 10% Rate Reduction
 - \$51.36 Annual Reduction on “Average Bill”
 - \$4.28 Per Month from \$42.80 to \$38.52

Strategic Planning Session

1. Increase Reserve Policy in Water and Wastewater to Improve Cash Liquidity and Rate Stability

<u>Reserve Type</u>	<u>Recommended Policy</u>	<u>Water</u>	<u>Wastewater</u>
Operating	One Year of Operating Expenses*	\$17M	\$4M
R&R	1.5x Annual Depreciation	\$4M	\$4M

*Current Policy is 10% of Annual Revenues

Strategic Planning Session (continued)

2. Recommended Allocation \$2M Annual Revenue Capacity

1. Increase Operating Reserve	\$350K
2. Create R&R Reserve	\$750K
3. 10% Rate Reduction	<u>\$700K</u>
Total	\$1.8M

Existing Rate Structure

1. Base Rate	\$10.25	\$10.25
2. Consumption Winter Monthly Average* 90% Flow Factor \$4.82 per 1,000 Gallons	7,500 Gallons* x 90% = 6,750 Gallons \$4.82 x 6.75 =	\$32.55
Average Monthly Bill		\$42.80

Potential Options to Reduce Rates:

- Reduce 90% Flow Factor
- Reduce \$4.82 Rate per 1,000 Gallons
- Reduce Base Rate

* December, January, February 3-Month Average 7

Action Items

- Change the Effective Date of the Winter Average from March to July
 - Allows Time to Analyze New Average
 - Full Year at New Revenue Amount
- Communicate New Effective Date Change to Customers
- Finalize Rate Structure Recommendation to Achieve 10% Revenue Reduction





Proposed Calendar

May 1st Town Council Meeting

Adopt Resolution re. Reduced Wastewater Rates

July Utility Bill

1. New Winter Average
2. Reduced Wastewater Rates



Discussion and Questions